

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.

Information has been incorporated by reference into this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request, without charge, from the Corporate Secretary of Tree Island Wire Income Fund at 3933 Boundary Road, Richmond, B.C., V6V 1T8, telephone (604) 524-3744 and are available electronically at www.sedar.com.

Short Form Prospectus

Rights Offering

December 17, 2009



TREE ISLAND WIRE INCOME FUND

Offering of Rights to Subscribe for Up to \$10,000,000 Aggregate Principal Amount of 10% Second Lien Convertible Debentures

This short form prospectus covers the issuance (the "**Offering**") by Tree Island Wire Income Fund (the "**Fund**") to the holders of its outstanding units (the "**Units**") of record (the "**Unitholders**") on December 30, 2009 (the "**Record Date**") of one right (a "**Right**") for each Unit held. For every 221.12489 Rights held, a holder of Rights is entitled (the "**Basic Subscription Right**") (provided that such holder is in an Eligible Jurisdiction, as defined below, or is an Approved Eligible Holder, as defined below) to subscribe for \$100 principal amount of 10% second lien convertible debentures (the "**Debentures**") prior to 5:00 p.m. (Vancouver time) (the "**Expiry Time**") on January 27, 2010 (the "**Expiry Date**"). As of the date hereof, the Fund has 22,112,489 outstanding Units, which means that Unitholders are entitled to purchase Debentures having an aggregate principal amount of up to \$10,000,000. The Rights are fully divisible and fully transferable within Canada, and will be represented by rights certificates (the "**Rights Certificates**"). **Rights not exercised prior to the Expiry Time on the Expiry Date will be void and of no further value.** Unitholders who exercise their Rights in full are entitled to subscribe for additional Debentures (the "**Additional Debentures**") which are not otherwise subscribed for under this Offering on a *pro rata* basis, pursuant to an additional subscription privilege (the "**Additional Subscription Privilege**"). Fractional Debentures will not be issued upon the exercise of Rights. Each holder of a Rights Certificate which evidences a number of Rights not evenly divisible by 221.12489 will have the right to round up to the principal amount of Debentures it is entitled to subscribe for to the next nearest multiple of \$100. See "*Details of the Offering*".

This Offering is part of a recapitalization transaction (the "**Recapitalization Transaction**") of the Fund that also includes amendments to the credit agreements underlying the Fund's senior credit facilities, forbearance agreements with certain of the Fund's trade creditors and the private placement, as described below. The Recapitalization Transaction is designed to enhance the Fund's liquidity and operating flexibility. Management and the board of trustees of the Fund (the "**Board**") believe that the Recapitalization Transaction is critical to provide the necessary financial flexibility and capital resources to manage its business in the current economic environment and provide the Fund with sufficient liquidity to continue operating its business in the normal course for the 2010 fiscal year. This belief is based on certain assumptions, including, without limitation, the absence of further deterioration in the Fund's financial condition, the absence of further significant deterioration in the level of economic activity in Canada and the United States and the ability to manage the costs of the business going forward. If these assumptions are incorrect, the Fund's business, financial condition, liquidity and results of operations would be materially adversely affected and there can be no assurance that the Fund would be able to operate as a going concern.

Debentures

The Debentures bear interest at an annual rate of 10% payable quarterly in arrears. Interest accrued up to and including March 31, June 30, September 30 and December 31 of each year (each, an "**Interest Calculation Date**") will be paid, subject to certain restrictions described below, on the 30th day of the month next following each Interest Calculation Date to the registered holders of the Debentures on such Interest Calculation Date. The maturity date of the Debentures will be November 26, 2014 (the "**Maturity Date**"), regardless of the date of issuance.

All Debentures (including the Private Placement Debentures, as defined below): (a) rank *pari passu* in right of payment; and (b) are subordinate in right of payment to: (i) all indebtedness, liability, interest and other obligations or amounts owed by the Fund and/or its affiliates to its senior lenders or their agents under the Credit Agreements (as defined below); and (ii) any indebtedness, liability or obligation in respect of any instrument or document ranking senior to the Debentures by reason of constituting a refinancing, refunding, replacement, restructuring, renewal or extension of any of the indebtedness, liabilities or obligations referred to in (i) above (the "**Senior Indebtedness**").

The Fund has also entered into a proceeds sharing agreement dated November 25, 2009 (the "**Proceeds Sharing Agreement**") with significant trade creditors pursuant to which the first \$6,000,000 paid in respect of amounts owing by the Fund under the Debentures (including the Private Placement Debentures, as defined below) following an event of default that results in an acceleration of such amounts owing will be divided among the holders of Debentures and such significant trade creditors. See "*Recapitalization Transaction – Private Placement – Forbearance Agreements/ Proceeds Sharing Agreement*".

The net proceeds of the Private Placement, as defined below, have been applied towards working capital, including the reduction of the amount of indebtedness owing under the Fund's revolving credit facilities. As of November 30, 2009, the amount owing under the Fund's revolving credit facilities is approximately \$2.5 million. The Fund intends to use the entirety of the net proceeds of the Offering for working capital purposes, including the reduction of the amount of indebtedness under the Fund's revolving credit facilities. Net proceeds from the Offering will therefore further increase the availability under the revolving credit facilities. More specifically, the Credit Amendments (as defined below) provide that the proceeds from the issuance of the Debentures will be contributed by the Fund to Tree Island Industries Ltd. ("**TII**") and/or Tree Island Wire (USA) Inc. ("**Tree Island Wire**"), and such entities shall prepay the revolving credit facilities in such proportion as the credit parties under the Credit Agreements may decide pursuant to the terms thereof. See "*Use of Proceeds*".

Under the terms of a subordination and intercreditor agreement dated November 26, 2009 (the "**Intercreditor Agreement**") among the Fund, certain of its affiliates, its senior lenders and the Debenture Trustee (as defined below), the Fund is prohibited from making cash interest payments on the Debentures if: (i) an event of default exists under the debt documents related to its senior debt; (ii) the aggregate borrowing availability under the senior debt documents, after giving effect to a contemplated cash distribution, does not exceed \$5,500,000 on the date of such distribution or on an average daily basis for the 30 calendar day period immediately preceding such distribution; or (iii) the Fund has failed to deliver certain monthly compliance certificates under the senior debt documents. As long as the Fund is prohibited from making cash interest payments on the Debentures under the Intercreditor Agreement, it will be required to either: (i) satisfy interest payments in kind, by issuing additional Debentures (the "**Interest Debentures**") to Debenture holders; or (ii) subject to certain restrictions, defer cash interest payments until such time as they are permitted under the Intercreditor Agreement and the Fund's Credit Agreements (as defined below).

The Intercreditor Agreement also provides that, if as a result of any accounting adjustments based on the annual audit of TII, either agent of the Fund's senior lenders determines, in its reasonable judgment, that a prior cash interest payment made by the Fund in respect of the Debentures would have been prohibited under the terms of the Intercreditor Agreement had such adjusted figures been in effect on the date of such interest payment, then holders of Debentures who received such payment must, within five days of receipt by the Debenture Trustee (as defined below) of notice of such determination, return the full amount of the interest payment to the Debenture Trustee. In such event, the returned payment may be paid by the Fund to holders of Debentures on any subsequent regularly scheduled quarterly interest payment date, provided that it is not prohibited from making such payment under the Intercreditor Agreement. See "*Description of Debentures – Interest*".

The earnings coverage ratio with respect to the Debentures is less than one-to-one. See "Earnings Coverage Ratio".

Debenture Conversion Privilege

The principal amount outstanding under each Debenture will be convertible into Units, at the option of the holder, at any time prior to 4:00 p.m. (Vancouver time) on the Maturity Date or, if the Debentures are called for redemption, 4:00 p.m. (Vancouver time) on the last business day immediately preceding the date specified by the Fund for the redemption of the Debentures. All accrued and unpaid interest on a Debenture that is converted into Units up to and including the date of conversion will be paid to the holder on the conversion date. The conversion price of the Debentures (the "**Conversion Price**") will be \$0.50 per Unit, subject to adjustment in certain events. Further particulars concerning the conversion privilege, including provisions for the adjustment of the conversion price, are set out under "*Description of Debentures – Conversion Privilege*".

Price: \$100 per Debenture

	<u>Subscription Price and Proceeds to the Fund⁽¹⁾</u>
Per Convertible Debenture.....	\$100
Total ⁽²⁾	\$10,000,000

- (1) Before deducting the expenses of the Offering, estimated to be approximately \$1.1 million (including the Dealer Manager Fee, described below). These expenses will be paid by the Fund. The Fund has engaged Genuity Capital Markets to act as dealer manager (the "**Dealer Manager**") to advise the Fund in connection with the Offering. The Fund has agreed to pay the Dealer Manager a fee (the "**Dealer Manager Fee**") of \$350,000 for acting as Dealer Manager.
- (2) Assuming the maximum amount of the Offering. The Investors (as defined below) have provided a Rights Offering Commitment (as defined below).

In conjunction with the Recapitalization Transaction, The Futura Corporation ("**Futura**"), Marret Asset Management Inc. ("**Marret**") on behalf of certain investment funds managed by Marret, Arbutus Distributors Ltd. ("**Arbutus**" and, collectively with Futura and Marret, the "**Investors**") and the Fund have entered into an investment agreement dated August 13, 2009, as amended (the "**Investment Agreement**"), whereby the Investors have agreed to purchase a minimum of \$1,787,389 and a maximum of \$3,250,000 aggregate principal amount of Debentures under the Offering (the "**Rights Offering Commitment**") as follows: (i) Futura has committed to purchase \$1,250,000 aggregate principal amount of Debentures; (ii) Marret has committed to purchase an aggregate principal amount of Debentures of \$526,083 plus 49.5% of the difference between \$3,250,000 and the aggregate principal amount of Debentures purchased by Unitholders under the Offering, up to a maximum of \$1,250,000; and (iii) Arbutus has committed to purchase an aggregate principal amount of Debentures of \$11,306 plus 50.5% of the difference between \$3,250,000 and the aggregate principal amount of Debentures purchased by Unitholders under the Offering, up to a maximum of \$750,000. Each of the Investors may, but shall not be required to, purchase Debentures under the Offering in excess of the Rights Offering Commitment to the extent such Debentures are available. In no event shall the aggregate amount of the Rights Offering Commitment exceed \$3,250,000.

Under the Investment Agreement, the Fund issued, and the Investors have separately purchased on a private placement basis (the "**Private Placement**"), Debentures of the Fund (the "**Private Placement Debentures**") in the aggregate principal amount of \$9,750,000 and warrants ("**Warrants**") to purchase an aggregate of 4,875,000 Units. More particularly, Futura and Marret each purchased \$3,750,000 aggregate principal amount of Private Placement Debentures and Warrants to purchase 1,875,000 Units and Arbutus purchased \$2,250,000 aggregate principal amount of Private Placement Debentures and Warrants to purchase 1,125,000 Units. Each Warrant entitles the holder to purchase one Unit upon the payment of the exercise price equal to the volume weighted average trading price of the Units on the Toronto Stock Exchange (the "**TSX**") over the five day trading period beginning on the earlier of (a) the first trading day on which the Rights issued pursuant to the Offering commence trading on the TSX and (b) the day the Fund announces that it is terminating or not proceeding with the proposed distribution of Rights, but in any event shall not exceed \$0.75 per Unit, provided that the exercise price shall not be less than \$0.35 per Unit. The terms and conditions of the Private Placement Debentures are identical to those of the Debentures to be issued under the Offering and have been issued under the same indenture as the Debentures to be issued under this Offering. The Private Placement closed on November 26, 2009. See "*Recapitalization Transaction – Private Placement*".

As part of the Private Placement, the Fund entered into an investors' rights agreement (the "**Investors' Rights Agreement**") dated November 26, 2009 with the Investors under which the Fund granted certain rights and made certain covenants in favour of the Investors in relation to their investment in the Private Placement Debentures and Warrants. See "*Recapitalization Transaction – Private Placement – Investors' Rights Agreement*".

Futura is a related party of the Fund. Amar S. Doman, Chairman and a trustee of the Fund, is also President and Chief Executive Officer of Futura and Harry Rosenfeld, a trustee of the Fund, is also Executive Vice President of Futura. As of the date hereof, Futura, Marret and Arbutus own 4,364,400, 1,163,300 and 25,000 Units, respectively, representing approximately 19.7%, 5.3% and 0.1% of the outstanding Units, respectively. Following completion of the Offering, and assuming that all of the Rights are exercised in full, Futura, Marret and Arbutus will own (after giving effect to the conversion of all of the Debentures and the Private Placement Debentures and exercise of all of the Warrants) 16,239,400, 11,590,466 and 5,672,612 Units respectively, representing approximately 24.4%, 17.4% and 8.5%, respectively, of the outstanding Units on a fully-diluted basis. If the only Debentures issued under the Offering are pursuant to the Rights Offering Commitment (meaning no holders of Rights other than the Investors exercise any Rights), then, following completion of the Offering, Futura, Marret and Arbutus will own (after giving effect to the conversion of all of the Debentures and the Private Placement Debentures and exercise of all of the Warrants), 16,239,400, 13,038,300 and 7,150,000 Units respectively, representing approximately 30.6%, 24.6% and 13.5%, respectively, of the outstanding Units on a fully-diluted basis. The ownership position of the Investors could be substantially higher in the event of the exercise of Rights beyond the Rights Offering Commitment. Accordingly, subsequent to this Offering, assuming the conversion in full of the Debentures and Private Placement Debentures held by them and the exercise in full of the Warrants held by them, Futura, Marret and Arbutus may each be in a position to materially impact control of the Fund. To the knowledge of the Fund, the Investors intend to exercise their Rights issued hereunder in accordance with the Rights Offering Commitment. However, the Investors may, but shall not be required to, purchase Debentures and/or Additional Debentures in excess of the Rights Offering Commitment if available. See "*Risk Factors*".

This short form prospectus qualifies for distribution under applicable Canadian securities laws the Rights and the Debentures issuable on the exercise of the Rights (including pursuant to the Rights Offering Commitment) (together, the "**Offered Securities**") in each of the Provinces of Canada (the "**Eligible Jurisdictions**"). The Rights will not be issued to any U.S. Person (as that term is defined in Regulation S of the United States Securities Act of 1933) (the "**1933 Act**"), person in the United States or person acquiring the Rights for the benefit or account of any U.S. Person or person in the United States. Neither the Rights nor the Debentures may be transferred to, or for the benefit or account of, any U.S. Person or person in the United States. Pursuant to its engagement, the Dealer Manager shall not offer or sell any Debentures in the United States without registration under the 1933 Act and applicable state securities laws except to certain accredited investors in transactions that comply with the exemption from registration set forth in Regulation D under the 1933 Act.

None of the Offered Securities have been qualified under the securities laws of any jurisdiction outside the Eligible Jurisdictions (an "**Ineligible Jurisdiction**") and, except under the circumstances described herein, the Rights may not be exercised by or on behalf of a holder of Rights resident in an Ineligible Jurisdiction (an "**Ineligible Holder**"). This short form prospectus is not, and under no circumstances is to be construed as, an offering of any of the Offered Securities for sale in any Ineligible Jurisdiction or a solicitation therein or thereto of an offer to buy any securities. Rights Certificates will not be sent to any Unitholder with an address of record in an Ineligible Jurisdiction. The United States is an Ineligible Jurisdiction and all U.S. Persons and persons in the United States or acting for the account or benefit of a U.S. Person or person in the United States are Ineligible Holders. Instead, such Ineligible Holders will be sent a letter advising them that their Rights Certificates will be held by the Subscription Agent (as defined below), who will hold such Rights as agent for the benefit of all such Ineligible Holders. See "*Details of the Offering – Ineligible Holders*".

THE RIGHTS AND THE SECURITIES FOR WHICH THEY MAY BE EXERCISED HAVE NOT BEEN REGISTERED UNDER THE 1933 ACT OR ANY STATE SECURITIES COMMISSION OR APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC") OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SEC OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS SHORT FORM PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE. THIS SHORT FORM PROSPECTUS IS NOT BEING SENT, DELIVERED, PROVIDED OR OTHERWISE CIRCULATED TO ANY HOLDER IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON WITHOUT REGISTRATION UNLESS AN EXEMPTION FROM

REGISTRATION IS AVAILABLE. THE RIGHTS MAY NOT BE EXERCISED AND MAY NOT BE OFFERED, ISSUED, SOLD OR OTHERWISE DISTRIBUTED IN THE UNITED STATES OR TO, OR FOR THE BENEFIT OF, ANY U.S. PERSON. THE HOLDER OF THE RIGHTS, BY VIRTUE OF RECEIVING, PURCHASING, EXERCISING OR OTHERWISE OBTAINING SUCH RIGHTS, AGREES, FOR THE BENEFIT OF THE FUND, THAT SUCH HOLDER IS NOT IN THE UNITED STATES, IS NOT A U.S. PERSON AND IS NOT RECEIVING, PURCHASING, EXERCISING OR OTHERWISE OBTAINING SUCH RIGHTS FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON OR PERSON IN THE UNITED STATES.

Prospective investors should be aware that the acquisition or disposition of the securities described in this short form prospectus and the expiry of an unexercised Right may have tax consequences in Canada or elsewhere, depending on each particular prospective investor's specific circumstances. See "*Certain Canadian Federal Income Tax Considerations*". Prospective investors should consult their own tax advisors with respect to such tax considerations.

The currently outstanding Units are listed and posted for trading on the TSX under the symbol "TIL.UN". The Rights will be listed on the TSX and will be posted for trading until 12:00 p.m. (Toronto time) on the Expiry Date. The TSX has conditionally approved the listing of the Debentures described under this short form prospectus and will list the Units issuable upon the conversion of the Debentures or Interest Debentures, as applicable. Approval of the listing of the Debentures will be subject to the Fund fulfilling all of the listing requirements of the TSX. The closing price for the Units on the TSX on August 12, 2009, the last day on which there was a trade reported in the Units prior to the date on which the conversion price of the Debentures was established by the Fund, was \$0.80 per Unit.

There is currently no market through which the Rights or the Debentures may be sold, and purchasers of Debentures may not be able to resell Debentures acquired pursuant to the exercise of Rights or otherwise. Although the TSX has conditionally approved the listing of the Debentures, there can be no assurance that such securities will be listed or that an active trading market will develop for the Rights or the Debentures or, if developed, that such a market will be sustained. To the extent that an active trading market for the Rights or the Debentures does not develop, the pricing of the Rights or the Debentures in the secondary market, the transparency and availability of trading prices and the liquidity of the Rights or the Debentures may be adversely affected. See "*Risk Factors*".

The Fund has appointed Valiant Trust Company (the "**Subscription Agent**"), at its principal offices in Vancouver, British Columbia and Calgary, Alberta (the "**Subscription Offices**"), as the subscription agent for this Offering. See "*Details of the Offering – Subscription Agent*".

For Units held in registered form, other than by Ineligible Holders, the Fund will mail or cause to be mailed to each Unitholder a Rights Certificate evidencing the number of Rights issued to the holder thereof, together with a copy of this short form prospectus. In order to exercise the Rights represented by the Rights Certificate, a holder of Rights must complete and deliver Form 1 of the Rights Certificate to the Subscription Agent in the manner and upon the terms set out in this short form prospectus. See "*Details of the Offering – Units Held in Registered Form*".

For Units held through a securities broker or dealer, bank or trust company or other participant (a "**Participant**") in the book-based system administered by CDS Clearing and Depository Services Inc. ("**CDS**"), a holder of Rights, other than an Ineligible Holder, may exercise the Rights issued in respect of such Units by: (a) instructing the Participant holding such Rights to exercise all or a specified number of such Rights; and (b) forwarding to such Participant the subscription price for each Debenture that such Unitholder wishes to subscribe for in accordance with the terms of this Offering. A holder of Rights may subscribe for Additional Debentures pursuant to the Additional Subscription Privilege by: (a) instructing the Participant holding Rights on behalf of such holder to exercise the Additional Subscription Privilege in respect of the number of Additional Debentures such holder wishes to subscribe for; and (b) forwarding to such Participant the subscription price for the Additional Debentures requested. Any excess funds will be returned to the Participant, on behalf of such holder, without interest or deduction. Subscriptions for Debentures made through a Participant will be irrevocable and subscribers will be unable to withdraw their subscriptions for Debentures once submitted. See "*Details of the Offering – Units Held Through CDS*".

An investment in the Debentures and the Units underlying the Debentures is speculative and involves a high degree of risk. See "*Risk Factors*" for a discussion of factors that should be considered by prospective

investors and their advisors in assessing the appropriateness of an investment in Debentures or Units. If a Unitholder does not exercise in full, or sells or otherwise transfers, its Rights, then, assuming conversion of some or all of the Debentures, such Unitholder's current percentage ownership in the Fund will be diluted as a result of the Offering, in addition to the dilution resulting from any conversion of the Private Placement Debentures or the exercise of the Warrants.

Holders of Rights who exercise their Basic Subscription Right and/or Additional Subscription Privilege to purchase Debentures (including Additional Debentures, as applicable) will have certain statutory and contractual rights of rescission and other remedies. See "*Purchasers' Rights*".

The Fund's head and registered offices are located at 3933 Boundary Road, Richmond, British Columbia, Canada V6V 1T8 and 1600 Cathedral Place, 925 West Georgia Street, Vancouver, British Columbia, Canada V6C 3L2, respectively.

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GENERAL MATTERS

In this short form prospectus, the "Fund" refers collectively to Tree Island Wire Income Fund and its consolidated subsidiaries and affiliates, unless the context otherwise requires, and "TII" or the "Company" refers to Tree Island Industries Ltd. All references in this short form prospectus to "\$" are to Canadian dollars. The Fund's financial statements incorporated herein by reference have been prepared in accordance with Canadian generally accepted accounting principles.

You should rely only on the information contained in this short form prospectus. The Fund has not authorized anyone to provide you with information different from that contained in this short form prospectus. The Fund is offering to sell, and seeking offers to buy, the Rights only in jurisdictions where, and to persons to whom, offers and sales are lawfully permitted. The information contained in this short form prospectus is accurate only as of the date of this short form prospectus, regardless of the time of delivery of this short form prospectus or of any sale of the Offered Securities.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents of the Fund, as filed with the various securities commissions or similar authorities in each of the Provinces of Canada, are specifically incorporated by reference into and form an integral part of this short form prospectus:

- (a) the annual information form of the Fund dated March 30, 2009 (the "AIF");
- (b) the audited consolidated financial statements of the Fund for the years ended December 31, 2008 and 2007, together with the notes thereto and the auditors' report thereon;
- (c) management's discussion and analysis of the financial condition and results of operations of the Fund for the year ended December 31, 2008;
- (d) the unaudited interim consolidated financial statements of the Fund for the three and nine month periods ended September 30, 2009, together with the notes thereto;
- (e) management's discussion and analysis of the financial condition and results of operations of the Fund for the three and nine month periods ended September 30, 2009;
- (f) the information circular of the Fund dated May 6, 2009 relating to the annual meeting of Unitholders held on June 23, 2009;
- (g) the material change report of the Fund dated January 22, 2009 relating to the over-valuation of the Fund's inventories resulting in the Fund's non-compliance with certain financial covenants under its credit facilities;
- (h) the material change report of the Fund dated February 2, 2009 relating to changes to the Fund's Board;
- (i) the material change report of the Fund dated February 12, 2009 relating to the receipt by the Fund of a notice of default under its credit facilities;
- (j) the material change report of the Fund dated March 30, 2009 relating to the waiving of the notice of default by the Fund's Canadian and U.S. senior lenders and the entering into an amended and restated credit agreement;
- (k) the material change report of the Fund dated June 2, 2009 relating to the Fund's breach of certain financial covenants under its credit facilities;
- (l) the material change report of the Fund dated June 10, 2009 relating to a notice of default received from the Fund's senior lenders for non-compliance by the Fund with certain of its financial covenants under its credit facilities;

- (m) the material change report of the Fund dated June 22, 2009 relating to the entering into of an agreement for the sale of surplus lands at the Fund's Richmond manufacturing facility;
- (n) the material change report of the Fund dated July 6, 2009 relating to the completion of the sale of surplus lands at the Fund's Richmond manufacturing facility;
- (o) the material change report of the Fund dated July 7, 2009 relating to changes in management of the Fund;
- (p) the material change report of the Fund dated August 17, 2009 relating to the Private Placement and this Offering;
- (q) the material change report of the Fund dated December 4, 2009 relating to, among other things, the closing of the Private Placement; and
- (r) the material change report of the Fund dated December 7, 2009 relating to changes in the board of trustees of the Fund.

This short form prospectus incorporates by reference any other document required to be incorporated by reference in a short form prospectus under applicable securities laws and filed by the Fund between the time the short form prospectus is received by the applicable securities regulators and the closing of the Offering.

Any statement contained in this short form prospectus or in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded, for the purposes of this short form prospectus, to the extent that a statement contained in this short form prospectus or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement is not to be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not, except as so modified or superseded, be deemed to constitute a part of this short form prospectus.

FORWARD LOOKING STATEMENTS

Certain statements contained in this short form prospectus, and in certain documents incorporated by reference in this short form prospectus, constitute "forward looking statements". These statements relate to future events or future performance and reflect management's expectations or beliefs regarding future events, and include, but are not limited to, statements regarding: (i) business and economic conditions; (ii) the Fund's growth, results of operations, performance and business prospects and opportunities; (iii) the intended use of proceeds of the Offering; (iv) the process to be followed to complete the Offering; (v) the expected actions of third parties named in this short form prospectus; and (vi) the Recapitalization Transaction and related transactions and agreements. The words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect", and similar expressions are often used to identify forward looking statements.

By their very nature, forward looking statements involve inherent risks and uncertainties, both general and specific, and a number of factors could cause actual events or results to differ materially from the results discussed in the forward looking statements. In evaluating these statements, prospective purchasers should specifically consider various factors, including the risks outlined herein under the heading "*Risk Factors*" which may cause actual results to differ materially from any forward looking statement. The risk factors include, but are not limited to, risks relating to: (i) that the Recapitalization Transaction may not improve the Fund's financial condition; (ii) subordination of Debentures; (iii) redemption of Debentures; (iv) the Fund's ability to pay principal and interest on the Debentures; (v) restriction on cash interest payments on the Debentures; (vi) the ability of the Fund to purchase the Debentures upon a change of control; (vii) the control of votes by insiders; (viii) dilution of existing Unitholders; (ix) the absence of a market for the Rights and the Debentures; (x) investment eligibility of the securities offered hereunder; (xi) interest rate risk, and other risks and uncertainties including those described under the headings "*Risks Relating to the Company's Business*" and "*Risks Inherent in an Investment of Units*" in the Fund's AIF, which is incorporated by reference into this short form prospectus.

The forward looking statements contained herein reflect management's current beliefs and are based upon certain assumptions that management believes to be reasonable based on the information currently available to management. Such assumptions include, but are not limited to, assumptions regarding: (i) general economic conditions; (ii) the expected actions of third parties; (iii) the Fund's future growth prospects and business opportunities; (iv) the outcome of this Offering; (v) the expected use of proceeds of this Offering; and (vi) the outcome of the Recapitalization Transaction and related transactions and agreements. Should one or more of the risks or uncertainties identified herein materialize, or should the assumptions underlying the forward looking statements prove to be incorrect, then actual results may vary materially from those described herein. Prospective purchasers are cautioned not to place undue reliance on forward looking statements. Except as required by applicable securities laws, the Fund does not intend, and does not assume any obligation, to update the forward looking statements contained herein.

ELIGIBILITY FOR INVESTMENT

In the opinion of Sangra Moller LLP, counsel to the Fund, provided that the Rights and the Units are listed on a designated stock exchange as defined in the *Income Tax Act* (Canada) (the "**Tax Act**") and the regulations thereunder (the "**Regulations**") (which includes the TSX), the Rights, the Debentures and the Units issuable pursuant to the conversion of the Debentures would, if issued on the date hereof, be qualified investments under the Tax Act and the Regulations for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans, registered disability savings plans and deferred profit sharing plans (other than deferred profit sharing plans to which payments are made by the Fund or an employer with which the Fund does not deal at arm's length) and for arrangements that are tax-free savings accounts ("**TFSA**"), all within the meaning of the Tax Act, provided that, in the case of the Rights, the Fund is not a connected person as defined in the Tax Act to the relevant plan or account.

Notwithstanding that the Rights, the Debentures and the Units issuable pursuant to the conversion of the Debentures may be qualified investments for a trust governed by a TFSA, the holder of a TFSA will be subject to a penalty tax on the Rights, the Debentures or Units issuable pursuant to the conversion of the Debentures if such Rights, Debentures or Units issuable pursuant to the conversion of the Debentures, as the case may be, are a "prohibited investment" for the TFSA. Rights, Debentures or Units issuable pursuant to the conversion of the Debentures will generally be a "prohibited investment" if the holder of a TFSA does not deal at arm's length with the Fund for purposes of the Tax Act or the holder of the TFSA has a "significant interest" (within the meaning of the Tax Act) in the Fund or a corporation, partnership or trust with which the Fund does not deal at arm's length for purposes of the Tax Act.

SUMMARY

The following is a summary of the principal features of the Offering and should be read together with, and is qualified in its entirety by, the more detailed information and financial data and statements contained elsewhere or incorporated by reference in this short form prospectus. Certain terms used in this summary and in the short form prospectus are defined elsewhere herein.

The Offering

Issuer:	Tree Island Wire Income Fund.
The Offering:	Rights to subscribe for an aggregate of up to \$10,000,000 principal amount of Debentures. Each Unitholder of record at the close of business on the Record Date will receive one Right for each Unit held. Every 221.12489 Rights entitle the holder thereof to subscribe for \$100 principal amount of Debentures.
Record Date:	December 30, 2009.
Expiry Date:	January 27, 2010.
Expiry Time:	5:00 p.m. (Vancouver time) on the Expiry Date. Rights not exercised at or before 5:00 p.m. (Vancouver time) on the Expiry Date will be void and have no value.
Subscription Price:	\$100 per Debenture (the " Subscription Price ").
Net Proceeds:	Approximately \$8.9 million, after deduction of the expenses of the Offering.
Use of Proceeds:	The net proceeds of the Private Placement have been applied towards working capital, including the reduction of the amount of indebtedness owing under the Fund's revolving credit facilities. As of November 30, 2009, the amount owing under the Fund's revolving credit facilities is approximately \$2.5 million. The Fund intends to use the entirety of the net proceeds of the Offering for working capital purposes, including the reduction of the amount of indebtedness under the Fund's revolving credit facilities. Net proceeds from the Offering will therefore further increase the availability under the revolving credit facilities. More specifically, the Credit Amendments (as defined below) provide that the proceeds from the issuance of the Debentures will be contributed by the Fund to TII and/or Tree Island Wire, and such entities shall prepay the revolving credit facilities in such proportion as the credit parties under the Credit Agreements may decide pursuant to the terms thereof. See " <i>Use of Proceeds</i> ".
Basic Subscription Right:	Every 221.12489 Rights entitle the holder thereof to subscribe for \$100 principal amount of Debentures. No fractional Debentures will be issued. Each holder of a Rights Certificate which evidences a number of Rights not evenly divisible by 221.12489 will have the right (the " Step-Up Privilege ") to round up the principal amount of Debentures it is entitled to subscribe for to the next nearest multiple of \$100. See " <i>Details of the Offering – Basic Subscription Right</i> ".
Additional Subscription Privilege:	Holders of Rights who exercise their Basic Subscription Right in full are entitled to subscribe for Additional Debentures not otherwise subscribed for under this Offering on a <i>pro rata</i> basis pursuant to the Additional Subscription Privilege. See " <i>Details of the Offering – Additional Subscription Privilege</i> ".
Exercise of Rights:	For Unitholders in an Eligible Jurisdiction whose Units are held in registered form, the Fund will mail or cause to be mailed a Rights Certificate evidencing the number of Rights to which such holder is entitled as at the Record Date, together with a copy of this short form prospectus. In order to exercise the Rights represented by the Rights Certificate, a holder of Rights must complete and deliver the Rights

Certificate to the Subscription Agent in the manner and upon the terms set out in this short form prospectus. See "*Details of the Offering – Units Held in Registered Form*".

For Units held by an Eligible Holder through a Participant in the book-based system administered by CDS, a holder of Rights may exercise the Rights issued in respect of such Units by: (a) instructing the Participant holding such Rights to exercise all or a specified number of such Rights; and (b) forwarding to such Participant the subscription price for each Debenture that such Unitholder wishes to subscribe for in accordance with the terms of this Offering. A holder of Rights may subscribe for Additional Debentures pursuant to the Additional Subscription Privilege by: (a) instructing the Participant holding Rights on behalf of such holder to exercise the Additional Subscription Privilege in respect of the number of Additional Debentures such holder wishes to subscribe for; and (b) forwarding to such Participant the subscription price for the Additional Debentures requested. Subscriptions for Debentures made through a Participant will be irrevocable and subscribers will be unable to withdraw their subscriptions for Units once submitted. See "*Details of the Offering – Units Held Through CDS*".

Holders in Ineligible
 Jurisdictions:

No subscription under the Basic Subscription Right or the Additional Subscription Privilege will be accepted from any person, or such person's agent, who appears to be, or who the Fund has reason to believe is, not a resident in an Eligible Jurisdiction, except that the Fund may accept subscriptions in certain circumstances from persons in such jurisdictions who have demonstrated to the Fund that such offering to and subscription by such person or agent is lawful and in compliance with all securities and other laws applicable in the jurisdiction where such person or agent is resident (each an "**Approved Eligible Holder**"). No Rights Certificates will be mailed to Ineligible Holders and Ineligible Holders will not be permitted to exercise their Rights. Instead, Ineligible Holders will be sent a copy of this short form prospectus with a letter advising them that their Rights Certificates will be issued to and held on their behalf by the Subscription Agent. Unitholders who have not received Rights Certificates but are resident in an Eligible Jurisdiction or wish to be recognized as Approved Eligible Holders should contact the Subscription Agent at the earliest possible time. Rights of Ineligible Holders will be held by the Subscription Agent until 5:00 p.m. (Vancouver time) on January 17, 2010 in order to provide beneficial holders thereof with the opportunity to claim the Rights Certificate, or direct the Subscription Agent to exercise the Rights on their behalf, by satisfying the Fund that the exercise of their Rights will not be in violation of securities and other laws applicable in the Ineligible Jurisdiction where such person is resident, and does not require the Fund to file any documents, make any application or pay any amount in their jurisdiction of residence. After such time, the Subscription Agent will attempt to sell, on a best efforts basis, the Rights of such registered Ineligible Holders, for their account, on such date(s) and at such price(s) as the Subscription Agent will determine in its sole discretion, and the proceeds of such sales will be divided on a *pro rata* basis among such Ineligible Holders. Ineligible Holders whose shares are held through a Participant in CDS who wish to be recognized as Approved Eligible Holders should contact their Participant.

Rights of beneficial Ineligible Holders will be held on their behalf either by the Subscription Agent or by the relevant securities broker or dealer, bank or trust company or other participant (including a Participant) through which they hold securities. Either the Subscription Agent or the relevant participant, as the case may be, will attempt to sell the Rights of such beneficial Ineligible Holders, for their account, on such date(s) and at such price(s) as determined by the particular agent, in its sole discretion.

No Rights will be issued to U.S. Persons or persons in the United States or persons who are acting for the account or benefit of U.S. Persons or persons in the United

States. The Rights may not be exercised by U.S. Persons or persons in the United States or for the account or benefit of U.S. Persons or persons in the United States. See "*Details of the Offering – Ineligible Holders*".

- Rights Offering Commitment: Under the Investment Agreement, the Investors have agreed to provide a Rights Offering Commitment to purchase a minimum of \$1,787,389 and a maximum of \$3,250,000 aggregate principal amount of Debentures under this Offering. See "*Details of the Offering – Rights Offering Commitment*".
- Dealer Manager: The Fund has engaged the Dealer Manager to advise the Fund in connection with this Offering and, in the Dealer Manager's sole and absolute discretion, to organize and participate in the solicitation in the Provinces of Canada of the exercise of Rights under this Offering. The Fund has agreed to pay the Dealer Manager a fee of \$350,000 for acting as Dealer Manager. See "*Plan of Distribution*".
- Listing and Trading: The Rights will be listed on the TSX and will be posted for trading until 12:00 p.m. (Toronto time) on the Expiry Date. The TSX has conditionally approved the listing of the Debentures distributed under this short form prospectus and will list the Units issuable upon the conversion of the Debentures or the Interest Debentures, as applicable. Approval of the listing of the Debentures will be subject to the Fund fulfilling all of the listing requirements of the TSX. The currently outstanding Units are listed and posted for trading on the TSX under the symbol "TIL.UN".

The Debentures

- Maturity: The Maturity Date of the Debentures will be November 26, 2014, regardless of the date of issuance.
- Interest: 10% per annum payable quarterly in arrears. Interest accrued to each Interest Calculation Date will be paid, subject to certain restrictions described in the immediately following paragraph, on the 30th day of the month next following each Interest Calculation Date to the registered holders of the Debentures on such Interest Calculation Date.

Under the terms of the Intercreditor Agreement, the Fund is prohibited from making cash interest payments on the Debentures if: (i) an event of default exists under the debt documents related to its senior debt; (ii) the aggregate borrowing availability under the senior debt documents, after giving effect to a contemplated cash distribution, does not exceed \$5,500,000 on the date of such distribution or on an average daily basis for the 30 calendar day period immediately preceding such distribution; or (iii) the Fund has failed to deliver certain monthly compliance certificates under the senior debt documents. As long as the Fund is prohibited from making cash interest payments on the Debentures under the Intercreditor Agreement, it will be required to either: (i) satisfy interest payments in kind, by issuing Interest Debentures to Debenture holders; or (ii) subject to certain restrictions, defer cash interest payments until such time as they are permitted under the Intercreditor Agreement and the Credit Agreements (as defined below). See "*Description of Debentures – Interest*". Interest Debentures so issued will bear the same terms as the Debentures offered hereunder. Deferred interest will accrue interest at a rate of 10% per annum until paid in full.

The Intercreditor Agreement also provides that, if as a result of any accounting adjustments based on the annual audit of TII, either agent of the Fund's senior lenders determines, in its reasonable judgment, that a prior cash interest payment made by the Fund in respect of the Debentures would have been prohibited under the terms of the Intercreditor Agreement had such adjusted figures been in effect on the date of such interest payment, then holders of Debentures who received such payment must, within five days of receipt by the Debenture Trustee (as defined

below) of notice of such determination, return the full amount of the interest payment to the Debenture Trustee. In such event, the returned payment may be paid by the Fund to holders of Debentures on any subsequent regularly scheduled quarterly interest payment date, provided that it is not prohibited from making such payment under the Intercreditor Agreement. See "*Description of Debentures – Interest*".

Subordination: All Debentures (including the Private Placement Debentures): (a) rank *pari passu* in right of payment; and (b) are subordinate in right of payment to all Senior Indebtedness. See "*Description of Debentures – Subordination*".

Security: The Debentures are fully and unconditionally guaranteed by certain of the Fund's material subsidiaries on a joint and several basis and are secured by a second priority lien on all of the present and after-acquired property of the Fund and its material subsidiaries. See "*Description of Debentures – General*".

Proceeds Sharing Agreement: The Fund has entered into the Proceeds Sharing Agreement with significant trade creditors pursuant to which the first \$6,000,000 paid in respect of amounts owing by the Fund under the Debentures (including the Private Placement Debentures) following an event of default that results in an acceleration of such amounts owing will be divided among the holders of Debentures and the significant trade creditors. See "*Recapitalization Transaction – Private Placement – Forbearance Agreements/ Proceeds Sharing Agreement*".

Conversion: The principal amount outstanding under each Debenture will be convertible into freely tradeable Units, at the option of the holder, at any time prior to 4:00 p.m. (Vancouver time) on the Maturity Date or, if the Debentures are called for redemption, 4:00 p.m. (Vancouver time) on the last business day immediately preceding the date specified by the Fund for the redemption of the Debentures. All accrued and unpaid interest on a Debenture that is converted into Units up to and including the date of conversion will be paid to the holder on the conversion date. The conversion price of the Debentures (the "**Conversion Price**") will be \$0.50 per Unit (being a rate of 200 Units per \$100 principal amount of Debentures), subject to adjustment in certain events. See "*Description of Debentures – Conversion Privilege*".

Redemption: Except upon the occurrence of a change of control of the Fund, the Debentures will not be redeemable on or before November 26, 2012. After such date and on or prior to the Maturity Date, the Debentures may be redeemed in cash, in whole or in part, from time to time at the option of the Fund on at least 30 days prior written notice, at a price equal to the principal amount plus all accrued and unpaid interest, provided that: (a) the weighted average trading price for the Units on the TSX for the 30 consecutive trading days ending on a date that is no more than 10 business days prior to the date on which the notice of redemption is given is greater than 150% of the Conversion Price; and (b) no event of default under the Trust Indenture (as defined herein) has occurred and is continuing. See "*Description of Debentures – Redemption*".

Change of Control: Within 30 days following the occurrence of a change of control of the Fund involving the acquisition of beneficial ownership, voting control or direction over 50% or more of the then outstanding Units or of assets representing more than 50% of the consolidated book value of the Fund's assets, or a merger, amalgamation, arrangement or similar transaction in which the holders of the Units immediately prior to the occurrence of such event hold less than 50% of the voting rights in the resulting entity, the Fund will be required to make an offer in writing to purchase all of the Debentures issued under the Trust Indenture (as defined below) and then outstanding at a price equal to 110% of the principal amount thereof plus all accrued and unpaid interest, if any, to such date. See "*Description of Debentures –*

Change of Control".

Additional Indebtedness: There are no restrictions under the terms of the Debentures on the ability of the Fund to incur additional indebtedness for borrowed money or otherwise or mortgaging, pledging or charging its properties to secure any indebtedness. See "*Description of Debentures – Additional Indebtedness*".

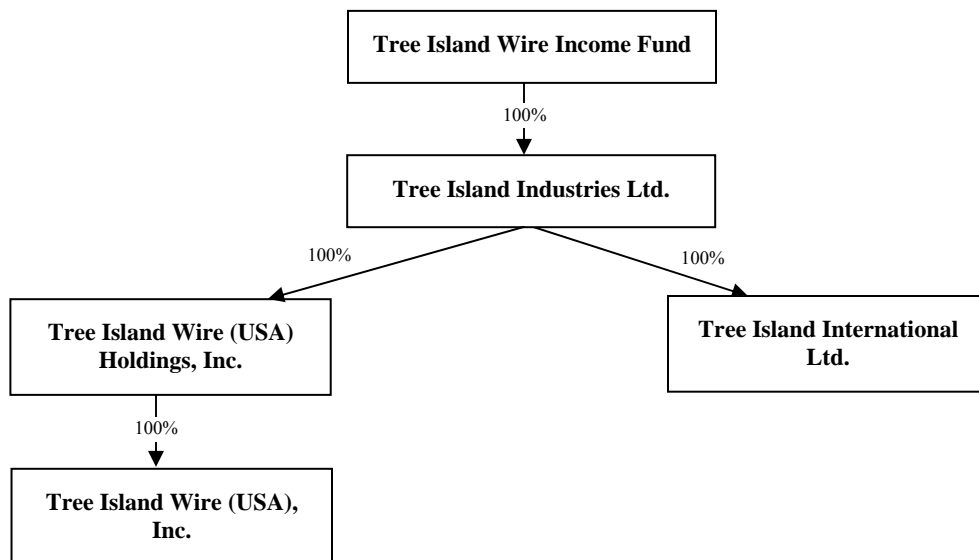
Risk Factors: An investment in the Debentures and the Units underlying the Debentures is speculative and involves a high degree of risk. See "*Risk Factors*".

THE FUND

Tree Island Wire Income Fund is an unincorporated, open ended, limited purpose trust created under the laws of British Columbia pursuant to a declaration of trust (the "**Declaration of Trust**") dated September 30, 2002, as amended and restated. The Fund holds a 100% ownership interest in Tree Island, a company incorporated under the laws of British Columbia.

The Fund's principal office is located at 3933 Boundary Road, Richmond, British Columbia V6V 1T8. The Fund's website is found at www.treeisland.com.

The structure of the Fund is as follows:



Headquartered in Richmond, British Columbia, the Fund is one of North America's largest producers of steel wire and fabricated wire products with sales of \$323 million and \$139 million for the year ended December 31, 2008 and nine months ended September 30, 2009, respectively.

The Fund supplies a diverse range of steel wire and fabricated steel wire products to customers in five key markets: residential construction, commercial construction, agricultural, industrial/original equipment manufacturers ("OEM") and specialty products.

The Fund's products include bright, galvanized and stainless steel wire; packaged, collated and bulk nails; stucco products, including woven mesh and expanded metal lath; fencing and other fabricated wire products; and engineered structural mesh. The Fund markets these products to customers in Canada, the United States and Asia.

The following summarizes the Fund's key product groups and the end-use markets served with each:

Markets	Products	Specific End Uses
Residential Construction	Collated nails, bulk nails, stucco reinforcing mesh	Construction and renovation for new and existing homes
Commercial Construction	Welded wire mesh, concrete reinforcing products, PC stand wire	Commercial construction, mining, infrastructure projects
Industrial/OEM	Low carbon wire (bright/galvanized), high carbon wire (bright/galvanized), bailing wire	Wire fabricating, industrial applications, OEM manufacturing (i.e. mattresses, inner springs, tires), forestry, recycling
Agricultural	Hi-tensile game fence, farm fence, vineyard wire, barbed wire, bailing wire	Agriculture, farming
Specialty	Spring wire, cold heading wire	Consumer products, industrial applications, telecommunications, aerospace, automotive, oil

		industry
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Residential Construction: The Fund markets a variety of collated, bulk and packaged nails along with stucco reinforcing mesh and other related construction products to the residential construction market. The Fund is a leading supplier of these products to the Western US region.

Commercial Construction: The Fund markets wire mesh, engineered mesh, concrete reinforcing mesh, mine mesh and PC strand to the North American commercial/industrial construction market.

Industrial/OEM (Original Equipment Manufacturer): The Fund provides a variety of low and high carbon bright and galvanized wire products, including wire used in inner spring applications and high-quality baling and strapping wires used in pulp and paper and recycling applications. The Fund is a leading supplier of pulp baling wire in North America and one of the top suppliers of recycling strapping wires in this market.

Agricultural: The Fund produces and markets a variety of fencing and agricultural products, including barbed wire, game fence, field fence and vineyard wire. It is a leading supplier of fencing products to the western Canadian agricultural industry, and in 2008 began expanding its market presence into Eastern Canada. The Fund competes on a smaller scale in the US market for chain link fencing and specialized wires for applications such as vineyard and tobacco farming.

Specialty Wire Products: The Fund provides a variety of stainless wire products, including shaped wire and specialized wire used in spring applications. The Fund is a supplier of the shaped wire used in industrial applications, such as the screens used in oil and gas wells.

RECAPITALIZATION TRANSACTION

Overview

The decision to proceed with the Recapitalization Transaction follows several previously announced measures taken by the Fund to address the economic challenges facing the business.

In November 2008, the Board approved a reduction in the Fund's monthly distribution by \$0.50 per Unit for all Units and in January 2009, the Fund suspended distributions.

On January 20, 2009, the Fund announced a significant write-down of inventories that resulted in it being out of compliance with its covenants under the credit agreements underlying the Fund's senior credit facilities (the "**Credit Agreements**") and concurrently announced the suspension of cash distributions on its Units. The Fund announced that it was reducing its inventory levels in line with market conditions and had commenced with negotiations with its leading suppliers.

The Fund subsequently announced on February 10, 2009 that it received a written notice of default from its senior lenders under the Credit Agreements and began actively seeking to renegotiate the terms of the Credit Agreements with its senior lenders.

On March 27, 2009, the Fund announced that its senior lenders waived the notice of default discussed above and that the Fund had entered into one year amended and restated Credit Agreements with its senior lenders.

On May 29, 2009, the Fund announced that as a result of continuing difficult market conditions, it was again out of compliance with the covenants under its amended and restated Credit Agreements for the month of April 2009, and on June 8, 2009, the Fund subsequently announced that it received a written notice of default from its senior lenders relating to its noncompliance with its covenants for the month of April.

On July 2, 2009, the Fund announced that it completed the sale of surplus lands at its Richmond, B.C. manufacturing facility for net proceeds of approximately \$8.6 million. The proceeds were used to reduce the debt under the Credit Agreements.

As at September 30, 2009, the Fund had combined borrowings of approximately \$17.3 million on its available credit facilities.

Despite taking these proactive measures, the continued deterioration of economic conditions and the resulting impact on the Fund's financial results has severely constrained the Fund's liquidity including its ability to finance raw material purchases. The Fund's operating results have been negatively impacted by the weakening Canadian and U.S. economies, continuing weakness in the western U.S. housing market and declining consumer confidence levels. On the basis of these difficulties and the uncertain prospects for near-term improvement in economic conditions, the Fund determined that the Recapitalization Transaction was necessary to allow the Fund to continue operating for the foreseeable future and advisable to provide confidence to the Fund's customers, suppliers and creditors. Management and the Board believe that the Recapitalization Transaction will provide the necessary financial flexibility and capital resources to manage the business in the current economic environment. See "*Forward-Looking Statements*" and "*Risk Factors*".

The Fund has taken several measures to try to improve its financial situation, which include aggressively reducing inventories, enhancing cash flow management and initiating significant cost cutting measures. An independent committee comprised of members of the Board free from interest in the Recapitalization Transaction and unrelated to the parties involved in the Recapitalization Transaction or the Investors was formed on July 21, 2009 to consider various options available to the Fund in light of the continued deterioration of the business. CIBC World Markets Inc. was retained by the Fund as its independent financial advisor in connection with the Recapitalization Transaction. The independent committee convened on several occasions together with management and the Fund's legal and financial advisors to consider various alternatives and ultimately to negotiate the Recapitalization Transaction. The independent committee has recommended, and the Board has approved, entering into the Recapitalization Transaction and concluded that: (i) the Fund is in serious financial difficulty; (ii) the Recapitalization Transaction is designed to improve the Fund's financial condition; and (iii) the terms of the Recapitalization Transaction are reasonable for the Fund in the circumstances.

The Recapitalization Transaction is comprised of: (i) the Private Placement; (ii) this Offering; (iii) certain amendments to the Credit Agreements (the "**Credit Amendments**"); and (iv) certain forbearance agreements among the Fund's operating subsidiaries and their key trade creditors (the "**Forbearance Agreements**"). The Credit Amendments became effective November 26, 2009 and the Forbearance Agreements became effective November 25, 2009. The Private Placement was completed on November 26, 2009.

Under the applicable rules of the TSX, the Fund would ordinarily be required to obtain Unitholder approval (including on a disinterested basis with respect to item (iii) below) of the Private Placement for a number of reasons, including, but not limited to, the fact that: (i) it materially affects the control of the Fund, which under TSX rules is defined to include, among other things, a transaction that results in a new holding of more than 20% of the voting securities by a single securityholder; (ii) it involves the private placement of securities convertible into Units representing more than 25% of the number of Units currently outstanding; (iii) it involves the private placement to an insider of securities convertible into Units representing more than 10% of the number of Units currently outstanding; (iv) the conversion price of the Debentures is below the maximum allowable discount to the current market price of the Units permitted by the TSX; and (v) the exercise price of the Warrants is less than the current market price of the Units on the TSX. However, the TSX has permitted the Fund to rely on the financial hardship exemption under section 604(e) of the TSX Company Manual in order to complete the transaction without Unitholder approval. The TSX advised the Fund that reliance on this exemption will automatically result in a TSX de-listing review to confirm that the Fund continues to meet TSX continued listing requirements. The TSX advised that the Fund continues to meet TSX continued listing requirements based on representations made by the Fund regarding its financial position, including the fact that the Rights Offering Commitment will raise a minimum of \$3.25 million. The TSX confirmed that it will lift the de-listing review promptly after the filing of this short form prospectus. After giving effect to the maximum number of Units issuable upon conversion of the Debentures (including the Private Placement Debentures) and exercise of the Warrants, 66,487,489 million Units would be outstanding on a fully diluted basis, representing a 201% increase over the current 22,112,489 Units outstanding.

In addition, as the Private Placement was with "related parties", the Fund has relied on the financial hardship exemption from the requirement for a formal valuation and minority approval contained in Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*.

On December 7, 2009, David Gluskin resigned from the board of trustees of the Fund for reasons unrelated to the Fund. Mr. Gluskin is Vice President of Marret.

Private Placement

The following is a description of the material terms of the agreements set out below. While the Fund believes that the descriptions outline the material terms of such agreements, the following descriptions do not purport to be complete and are subject to and qualified in their entirety by reference to the terms of the Investment Agreement, Investors' Rights Agreement, Intercreditor Agreement, Forbearance Agreements, Proceeds Sharing Agreement and Credit Amendments, all of which are available on SEDAR at www.sedar.com.

Investment Agreement

In conjunction with the Recapitalization Transaction, the Fund entered into the Investment Agreement with Futura, Marret and Arbutus. Under the Investment Agreement, the Fund issued and the Investors purchased an aggregate of \$9,750,000 principal amount of Private Placement Debentures and 4,875,000 Warrants.

Each Warrant will entitle the holder to purchase one Unit for a period of five years from the closing of the Private Placement at a price per Unit (the "**Exercise Price**") equal to the lower of: (i) the volume weighted average trading price of the Units on the TSX over the five consecutive day trading period beginning on the day that the Rights commence trading on the TSX (or, if the Fund announces that it is terminating or not proceeding with the Offering, on that day); and (ii) \$0.75, provided that the Exercise Price shall not be less than \$0.35 per Unit. The Exercise Price will be subject to adjustment in certain circumstances, including if the Fund subsequently issues Units in certain non-public offerings at a price that is less than 90% of the then current market price of the Units.

Futura is a related party of the Fund. Amar S. Doman, Chairman and a trustee of the Fund, is also President and Chief Executive Officer of Futura and Harry Rosenfeld, a trustee of the Fund, is also Executive Vice President of Futura. As of the date hereof, Futura, Marret and Arbutus own 4,364,400, 1,163,300 and 25,000 Units, respectively, representing approximately 19.7%, 5.3% and 0.1% of the outstanding Units, respectively. Following the closing of the Private Placement on November 26, 2009, Futura and Marret now own \$3.75 million principal amount of Private Placement Debentures and 1,875,000 Warrants, and Arbutus owns \$2.25 million principal amount of Private Placement Debentures and 1,125,000 Warrants.

Assuming the conversion and exercise of all the Private Placement Debentures and Warrants in full, Futura, Marret and Arbutus will own 13,739,400, 10,538,300 and 5,650,000 Units, respectively, representing approximately 29.6%, 22.7% and 12.2% of the then outstanding Units, respectively, on a fully diluted basis. If the Investors purchase the maximum number of Debentures which they could be obligated to purchase under the Rights Offering Commitment, Futura and Marret will each own \$1.25 million and Arbutus will own \$750,000 principal amount of Debentures. Assuming the conversion of all the Rights Offering Commitment Debentures in full and that no Debentures are issued pursuant to this offering other than the Rights Offering Commitment, Futura, Marret and Arbutus, will own, together with the maximum number of Units issuable upon conversion of the Private Placement Debentures and exercise of the Warrants, 16,239,400, 13,038,300 and 7,150,000 Units, respectively, on a fully diluted basis, representing 30.6%, 24.6% and 13.5%, respectively, of the then issued and outstanding Units, on a fully diluted basis. The ownership position of the Investors could be substantially higher in the event of the exercise of Rights beyond the Rights Offering Commitment. Accordingly, subsequent to this Offering, assuming the conversion of all the Private Placement Debentures and Debentures held by them and the exercise of all the Warrants held by them, Futura, Marret and Arbutus may each be in a position to materially impact control of the Fund.

Under the terms and conditions of the Investment Agreement, the Fund has agreed to use the proceeds of the Private Placement as described under "*Use of Proceeds*". The Fund has covenanted in the Investment Agreement that it will complete this Offering.

The TSX permitted the Fund to rely on an exemption from the requirement under the TSX Company Manual to seek Unitholder approval of the Private Placement on the basis of financial hardship. The Fund also relied on the financial hardship exemption from the requirement for a formal valuation and minority approval contained in Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* in connection with a related party transaction. The Private Placement closed on November 26, 2009.

Investors' Rights Agreement

In connection with the Recapitalization Transaction, the Fund and the Investors entered into the Investors' Rights Agreement under which the Fund provided additional covenants in favour of each Investor, including the right to each nominate one (or, in the case of Futura, two) of the Fund's trustees provided that it continues to hold at least 10% of the outstanding Units of the Fund (after giving effect to the conversion of all Debentures and Private Placement Debentures held by such Investor). The Investors' Rights Agreement also provides that for so long as each Investor holds at least 10% of the outstanding Units, after giving effect to the conversion of all Debenture and Private Placement Debentures held by such Investor, the Investor will have a pre-emptive right to acquire up to that number of Units, securities convertible into Units or other equity securities of the Fund as will enable the Investor, on completion of such offering of securities, to maintain its then current proportionate interest in the Fund after giving effect to the conversion of all Debentures and Private Placement Debentures held by such Investor, at the same percentage as that which existed immediately prior to the completion of such issuance.

The Fund has also covenanted in the Investors' Rights Agreement that the Fund will not, without the prior written consent of the Investors, issue or agree to issue certain of its securities, including Units or securities convertible into Units, for a period of 180 days after the date of the issuance of the Private Placement Debentures, except pursuant to existing rights and agreements, including options, warrants and other convertible securities, the Fund's existing option or Unit purchase plans that the Fund proposes to issue or the Debentures and Private Placement Debentures.

The Investors' Rights Agreement also provides that, subject to certain restrictions with respect to black-out periods, so long as an Investor holds at least 10% of the outstanding Units, after giving effect to the conversion of all Debentures and Private Placement Debentures held by such Investor, such Investor shall have the right to request in writing that the Fund file a prospectus with its principal regulator to qualify the distribution by such Investor of Units it intends to dispose of in Canada. Within three business days after the receipt of such written request, the Fund shall: (i) give written notice thereof to the other Investors; and (ii) subject to certain provisions relating to underwritten offerings, offer such other Investors the opportunity to include in such prospectus offering all of the Units held by such other Investors.

Intercreditor Agreement

The Intercreditor Agreement provides that the payments under the Debentures are subordinate in right and time of payment to the prior payment of debts owed to the Fund's senior lenders as set out therein. Under the terms of the Intercreditor Agreement, the Fund is prohibited from making cash interest payments on the Debentures if: (i) an event of default exists under the debt documents related to its senior debt; (ii) the aggregate borrowing availability under the senior debt documents, after giving effect to a contemplated cash distribution, does not exceed \$5,500,000 on the date of such distribution or on an average daily basis for the 30 calendar day period immediately preceding such distribution; or (iii) the Fund has failed to deliver certain monthly compliance certificates under the senior debt documents. As long as the Fund is prohibited from making cash interest payments on the Debentures under the Intercreditor Agreement, it will be required to either: (i) satisfy interest payments in kind, by issuing Interest Debentures to Debenture holders; or (ii) subject to certain restrictions, defer cash interest payments until such time as they are permitted under the Intercreditor Agreement and the Fund's Credit Agreements.

The Intercreditor Agreement also provides that, if as a result of any accounting adjustments based on the annual audit of TII, either agent of the Fund's senior lenders determines, in its reasonable judgment, that a prior cash interest payment made by the Fund in respect of the Debentures would have been prohibited under the terms of the Intercreditor Agreement had such adjusted figures been in effect on the date of such interest payment, then holders of Debentures who received such payment must, within five days of receipt by the Debenture Trustee (as defined below) of notice of such determination, return the full amount of the interest payment to the Debenture Trustee. In such event, the returned payment may be paid by the Fund to holders of Debentures on any subsequent regularly scheduled quarterly interest payment date, provided that it is not prohibited from making such payment under the Intercreditor Agreement. See "*Description of Debentures – Interest*".

Forbearance Agreements/Proceeds Sharing Agreement

In connection with the Recapitalization Transaction, the Fund, through its operating subsidiaries, TII and Tree Island Wire (together, the "**Operating Subsidiaries**") entered into five Forbearance Agreements dated November 25, 2009 with its significant trade creditors, Stemcor Australia Pty Ltd. and Stemcor USA Inc. (together, "**Stemcor**") and

Coutinho & Ferrostaal GmbH and Coutinho & Ferrostaal Ltd. (together, "**C&F**"), pursuant to which the Fund restructured approximately US\$38.5 million owing to Stemcor and C&F under certain sales contracts through deferred payment arrangements extending to December 31, 2013. Under the Forbearance Agreements, the Operating Subsidiaries must pay to Stemcor and C&F an aggregate of approximately US\$200,000 per month until December 31, 2010 followed by an aggregate of approximately US\$400,000 per month until December 31, 2011. Through 2012 and 2013, the Operating Subsidiaries must pay Stemcor an aggregate of approximately US\$668,000 per month with the balance, including all interest accrued, payable on December 31, 2013. From January 1 to November 30, 2012, the Operating Subsidiaries must pay C&F an aggregate of approximately US\$630,000 per month. From December 1, 2012 to October 31, 2013, the Operating Subsidiaries must pay C&F an aggregate of approximately US\$535,000 per month and CDN\$95,000 per month with the balance payable throughout the remainder of 2013 and the final payment, including all accrued interest, payable on December 31, 2013. Interest on the deferred payments accrues at the rate of 7.0% per annum, calculated and compounded annually on November 30 of each year. All payments under the Forbearance Agreements are subject to deferral provisions in accordance with the terms thereof.

The Fund also entered into the Proceeds Sharing Agreement with TII, Tree Island Wire, Stemcor, C&F and Valiant Trust Company ("**Valiant**"), pursuant to which the first \$6,000,000 of any net proceeds that are received by Valiant from the Fund or TII or Tree Island Wire, as guarantors, in respect of the amounts owing by the Fund under the Debentures, including the Private Placement Debentures (the "**Debenture Liabilities**"), following an event of default that results in an acceleration of Debenture Liabilities under the Trust Indenture (as defined below), will be divisible and payable 50% thereof to the holders of Debentures and 50% thereof to Stemcor and C&F so long as the amounts paid to Stemcor and C&F represent amounts then due to them pursuant to the Forbearance Agreements and will not reduce the balance of Debenture Liabilities owing from the Fund to the Debenture holders.

Credit Amendments

The Fund, through its affiliates, entered into limited waiver and amendment agreements with its senior lenders dated November 26, 2009, pursuant to which the senior lenders waived certain known events of default under the Credit Agreements. The Credit Amendments amend the Credit Agreements, to among other things, permit the issuance of the Debentures, reset the financial covenants and to remove the existing reserve against the borrowing base under the Credit Agreements in the approximate amount of \$3.1 million and to an availability block amounting to \$1,750,000 which may be applied to the borrowing availability under the Credit Agreements. In addition, the Credit Amendments provide that the proceeds from the issuance of the Debentures will be contributed by the Fund to TII and/or Tree Island Wire, and such entities shall prepay the revolving loans outstanding under the Credit Agreements in such proportion as the credit parties under the Credit Agreements may decide pursuant to the terms thereof.

As a result of the Credit Amendments and the Private Placement, all previously known and reported defaults under the Fund's credit facilities have been cured and the Fund is consequently no longer in default under its credit facilities. The financial covenants, which require the Fund to maintain a certain minimum cumulative EBITDA through February 2010, have been reset. Particulars relating to the Fund's financial covenants are contained in the Credit Amendments which are available on SEDAR at www.sedar.com. The waivers under the Credit Amendments do not cover unknown or future events of default and a future breach of the terms, conditions and covenants of the Credit Agreements and the Credit Amendments could materially adversely affect the Fund's financial condition, liquidity and results of operations. See heading entitled "*Risk Factors – Recapitalization Transaction May Not Improve the Fund's Financial Condition*".

PRIOR SALES

The Fund has issued the following Units and Debentures during the 12-month period prior to the date of this short form prospectus.

Date	Price per Security (\$)	Number and type of securities	Reason for issuance
January 23, 2009	1.11	304 Units	Issuance under Long Term Unit Incentive Plan
March 13, 2009	0.43	20,360 Units	Issuance under Long Term Unit Incentive Plan
April 23, 2009	0.65	19,739 Units	Issuance under Long Term Unit Incentive Plan

Date	Price per Security (\$)	Number and type of securities	Reason for issuance
June 5, 2009	0.61	180 Units	Issuance under Long Term Unit Incentive Plan
July 15, 2009	0.88	5,638 Units	Issuance under Long Term Unit Incentive Plan
July 30, 2009	0.92	3,715 Units	Issuance under Long Term Unit Incentive Plan
August 19, 2009	0.70	102,106 Units	Issuance under Long Term Unit Incentive Plan
November 26, 2009	100	An aggregate \$9,750,000 principal amount of Debentures	Issuance pursuant to the Private Placement

USE OF PROCEEDS

Assuming the maximum amount of the Offering, the estimated net proceeds to be received by the Fund from the Offering, after deducting the expenses of the Offering, will be approximately \$8.9 million. The net proceeds of the Private Placement have been applied towards working capital, including the reduction of the amount of indebtedness owing under the Fund's revolving credit facilities. As of November 30, 2009, the amount owing under the Fund's revolving credit facilities is approximately \$2.5 million. The Fund intends to use the entirety of the net proceeds of the Offering for working capital purposes, including the reduction of the amount of indebtedness under the Fund's revolving credit facilities. Net proceeds from the Offering will therefore further increase the availability under the revolving credit facilities. More specifically, the Credit Amendments provide that the proceeds from the issuance of the Debentures will be contributed by the Fund to TII and/or Tree Island Wire, and such entities shall prepay the revolving credit facilities in such proportion as the credit parties under the Credit Agreements may decide pursuant to the terms thereof.

Management and the Board believe that the Recapitalization Transaction, including the proceeds from the Private Placement and the Offering is critical to provide the necessary financial flexibility and capital resources to the Fund to manage its business and provide the Fund with sufficient liquidity to continue operating its business in the normal course for the 2010 fiscal year. The Fund believes that the availability under its revolving credit facilities subsequent to the Private Placement and the Offering will be sufficient to address its working capital needs through to the end of 2010 and will allow the Fund to meet its obligations under the Credit Agreements and Credit Amendments until they become due, subject to certain assumptions and risks as set forth under the heading entitled "*Risk Factors – Recapitalization Transaction May Not Improve the Fund's Financial Condition*".

CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of the Fund as at September 30, 2009 before and after giving effect to the Recapitalization Transaction. This table should be read in conjunction with the Fund's unaudited interim consolidated financial statements for the three and nine months ended September 30, 2009, which are incorporated herein by reference.

	As at September 30, 2009	
	Actual	After Giving Effect to the Recapitalization Transaction⁽¹⁾
	(in \$ 000s)	
Other liabilities impacted by the Recapitalization Transaction:		
Accounts payable and accrued liabilities ⁽²⁾	\$ 63,552	\$ 22,297
Change of control premium	-	320
Total	63,552	22,617
Capitalization:		
Current Debt:		
Revolving credit (net of deferred financing) ⁽³⁾	16,490	-
Long-Term Debt:		
Debentures ⁽⁴⁾	-	11,815
Forbearance Agreements ⁽²⁾	-	25,419
Unitholder's Equity:		
Units outstanding – 22,112,489 (<i>authorized-unlimited</i>)		
Unitholder's capital	211,125	211,125
Contributed surplus	325	325
Conversion option on debentures ⁽⁴⁾	-	4,649
Warrants ⁽⁴⁾	-	802
Accumulated other comprehensive loss	(18,889)	(18,889)
Accumulated earnings (loss) ⁽²⁾	(11,101)	4,699
Distributions	(159,248)	(159,248)
Total Unitholder's Equity	22,212	43,463
Total Capitalization	38,702	80,697

Notes:

- (1) Assumes the full exercise of all Rights under the Offering after deducting the estimated expense of the Recapitalization Transaction in the amount of \$2.2 million. The *pro forma* capitalization has been calculated to give effect to (i) the issuance of the Debentures as if they had been issued as at September 30, 2009 and (ii) the Forbearance Agreements using the foreign exchange rates applicable for those periods.
- (2) Interest on the Forbearance Agreements accrues at a rate of 7.0% compounded annually and is payable only at maturity or on an event of default pursuant to the terms thereof. For purposes of the *pro forma* consolidated capitalization, the amounts owing under the Forbearance Agreements have been valued as at September 30, 2009, net of transaction costs, with effective interest rates ranging from 22.4% to 22.8% resulting in a fair value of \$25.4 million translated at the exchange rate in effect on that date. This amount includes both the current and long-term portions of the debt. The effective interest rates of the amounts owing under the Forbearance Agreements for accounting purposes may vary from the estimated rates used in this consolidated capitalization schedule once the accounting is finalized and all transaction costs have been accrued. The accounting treatment of the Forbearance Agreements will require that the original amounts payable be derecognized and re-recorded at their present value. For purposes of this *pro forma* schedule, using the above noted effective interest rates and foreign currency exchange rates as at September 30, 2009, a gain of \$15.8 million would be recognized.
- (3) The Fund has combined borrowings of approximately \$17.3 million on its available credit facilities.
- (4) The Debentures issuable under the Recapitalization Transaction (including the Private Placement Debentures and assuming the maximum amount of this Offering) have an aggregate face value of \$19.75 million and a coupon rate of 10%. After taking into account the option conversion feature, Warrants issued pursuant to the Private Placement and the change of control premium, the fair value of the debt component of the Debentures, net of transaction costs, is estimated at \$11.8 million with an effective interest rate of 21.9%. The effective interest rate for accounting purposes of the Debentures associated with the Recapitalization Transaction, once issued, may vary from the estimated 21.9% rate used in this consolidated capitalization for various reasons including finalization of the value of the option conversion feature, change of control premium and final accrual of transaction costs.

DETAILS OF THE OFFERING

Description of Rights

Rights and Rights Certificates

The Fund is issuing to each Unitholder of record at the close of business (Vancouver time) on the Record Date one Right for each Unit held by such Unitholder. Every 221.12489 Rights entitle the holder thereof to subscribe for \$100 principal amount of Debentures. The Rights are fully divisible and fully transferable into and within Canada by the holders thereof. The Rights may not be transferred to any person within the United States. See "*– Sale or Transfer of Rights*".

The Rights are evidenced by Rights Certificates registered in the name of the Unitholder entitled thereto. Each Unitholder, other than an Ineligible Holder, will receive a Rights Certificate evidencing the total number of Rights to which such Unitholder is entitled. Subject to certain exceptions, Rights Certificates may not be held directly by, and subscriptions for Debentures will not be accepted from, Ineligible Holders. No Rights Certificates will be delivered to an address in the United States unless the Registered Holder certifies that it is not a U.S. Person. See "*– Ineligible Holders*".

Unitholders that hold their Units through a Participant will not receive physical certificates evidencing their ownership of Rights. On the Record Date, a global certificate representing Rights held through Participants will be issued in registered form to, and in the name of, CDS or its nominee. See "*– Units Held Through CDS*".

Basic Subscription Right

Every 221.12489 Rights entitle the holder thereof to subscribe for \$100 principal amount of Debentures prior to the Expiry Time on the Expiry Date. Rights not exercised by the Expiry Time on the Expiry Date will be void and of no further value. A holder of Rights that subscribes for some, but not all, of the Debentures which such holder is entitled to subscribe for will be deemed to have elected to waive the unexercised balance of such Rights. For information on how to exercise the Basic Subscription Right, see "*– How to Complete the Rights Certificate – Form 1 – Basic Subscription Right*".

Fractional Debentures will not be issued upon the exercise of Rights. Each holder of a Rights Certificate which evidences a number of Rights not evenly divisible by 221.12489 will have the right to round up the principal amount of Debentures it is entitled to subscribe for to the next nearest multiple of \$100. The Step-Up Privilege will be void and of no further effect or value if any of the Rights evidenced by such certificate are sold, transferred or assigned by the Unitholder to whom such Rights were originally issued.

Additional Subscription Privilege

Holders of Rights who exercise their Basic Subscription Right in full are entitled to subscribe for Additional Debentures at the Subscription Price on a *pro rata* basis with all other holders of Rights who have exercised their Basic Subscription Right in full. The aggregate number of Additional Debentures available for subscription under the Additional Subscription Privilege will be the difference, if any, between the total number of Debentures issuable upon exercise of Rights and the total number of Debentures subscribed and paid for pursuant to the exercise of the Basic Subscription Right.

Subscriptions for Additional Debentures will be received subject to allotment only, and the number of Additional Debentures, if any, that may be allotted to a subscriber will be equal to the lesser of:

- (a) the number of Additional Debentures that such subscriber has subscribed for; and
- (b) the product (disregarding fractions) obtained by multiplying (i) the number of Additional Debentures available to be issued by (ii) a fraction, the numerator of which is the number of Rights previously exercised by such holder and the denominator of which is the aggregate number of Rights previously exercised under the Offering by all holders of Rights that have subscribed for Additional Debentures.

If any holder of Rights has subscribed for fewer Additional Debentures than such holder's *pro rata* allotment of Additional Debentures, the excess Additional Debentures will be allotted in a similar manner among the holders who were allotted fewer Additional Debentures than they subscribed for. If all Rights offered are exercised, no Additional Debentures will be available for the purposes of the Additional Subscription Privilege. For information on how to exercise the Additional Subscription Privilege, see "*How to Complete the Rights Certificate – Form 2 – Additional Subscription Privilege*".

If as a result of the application of the foregoing formula a holder of Rights who exercises the Additional Subscription Privilege is allotted a number of Debentures which is less than the number of Debentures that such holder has subscribed for, the Subscription Agent will, when mailing the debenture certificate for the Debentures issued to such holder, refund without interest or deduction the excess portion of the total Subscription Price paid by such holder.

Rights Offering Commitment

Pursuant to the Rights Offering Commitment, the Investors have agreed, subject to certain conditions, to purchase a minimum of \$1,787,389 and a maximum of \$3,250,000 aggregate principal amount of Debentures under the Offering. The purpose of the Rights Offering Commitment is to ensure that the Fund sells at least \$3,250,000 principal amount of Debentures under the Offering. The amount of Debentures that the Investors will be required to purchase pursuant to the Rights Offering Commitment will depend in part on the number of Rights that are exercised by holders of Rights other than Investors. If no Rights are exercised (other than by the Investors), the Investors will be required to purchase \$3,250,000 aggregate principal amount of Debentures under the Rights Offering Commitment. To the extent that other holders of Rights exercise Rights, the amount of Debentures that the Investors will be required to purchase under the Rights Offering Commitment will be reduced accordingly, provided that in any event the Investors will be required to purchase at least \$1,787,389 aggregate principal amount of Debentures. Under the Rights Offering Commitment: (i) Futura has committed to purchase \$1,250,000 aggregate principal amount of Debentures; (ii) Marret has committed to purchase an aggregate principal amount of Debentures of \$526,083 plus 49.5% of the difference between \$3,250,000 and the aggregate principal amount of Debentures purchased by Unitholders under the Offering, up to a maximum of \$1,250,000; and (iii) Arbutus has committed to purchase an aggregate principal amount of Debentures of \$11,306 plus 50.5% of the difference between \$3,250,000 and the aggregate principal amount of Debentures purchased by Unitholders under the Offering, up to a maximum of \$750,000.

To the knowledge of the Fund, the Investors intend to exercise their Rights issued hereunder in accordance with the Rights Offering Commitment. However, the Investors may, but shall not be required to, purchase Debentures and/or Additional Debentures in excess of the Rights Offering Commitment if available. See "*Risk Factors*".

Subscription Agent

The Fund has appointed Valiant Trust Company the Subscription Agent to receive subscriptions and payments from holders of Rights and to perform certain services relating to the exercise and transfer of Rights. Subscriptions and payments under the Offering should be sent to the Subscription Agent at:

Valiant Trust Company
310, 606 4th St SW
Calgary, AB T2P 1T1
Attention: Senior Manager, Corporate Actions

Enquiries relating to the Offering should be addressed to the Subscription Agent by telephone at 866-313-1872 or to the Fund by telephone at (604) 524-3744 or to the Dealer Manager by telephone at (416) 687-5418.

Units Held Through CDS

For Units held through a Participant in the book-based system administered by CDS, a global certificate representing the aggregate number of Rights held through Participants will be issued in registered form to CDS and will be deposited with CDS following the Record Date. Each Unitholder who holds Units through a Participant (a "**CDS Unitholder**") will receive a confirmation of the number of Rights issued to such holder from its Participant in

accordance with the practices and procedures of that Participant. CDS will be responsible for establishing and maintaining book-entry accounts for Participants holding Rights.

In order to exercise Rights held through a Participant, a Beneficial Unitholder must: (a) instruct the Participant holding such Rights to exercise all or a specified number of such Rights; and (b) forward to such Participant, the Subscription Price for each Debenture that such Beneficial Unitholder wishes to subscribe for. A Beneficial Unitholder may subscribe for Additional Debentures pursuant to the Additional Subscription Privilege by: (a) instructing the Participant holding Rights on behalf of such holder to exercise the Additional Subscription Privilege in respect of the number of Additional Debentures such holder wishes to subscribe for; and (b) forwarding to such Participant the Subscription Price for the Additional Debentures requested. Any excess funds will be returned to the Participant, on behalf of such holder, without interest or deduction. Subscriptions for Debentures made through a Participant will be irrevocable and subscribers will be unable to withdraw their subscriptions for Units once submitted.

The Subscription Price for Rights held through a Participant is payable in Canadian dollars by certified cheque, bank draft or money order payable to the Participant, by direct debit from the subscriber's brokerage account or by electronic funds transfer or other similar payment mechanism. The entire Subscription Price for any Rights exercised must be paid at the time of subscription and must be received by the Subscription Agent at one of the Subscription Offices prior to 5:00 p.m. (Vancouver time) on the Expiry Date. Accordingly, a holder of Rights held through a Participant must deliver its payment and subscriptions sufficiently in advance of the Expiry Date to allow the Participant through which such Rights are held to properly exercise such Rights.

Neither the Fund nor the Subscription Agent will have any liability for: (a) the records maintained by CDS or Participants relating to the Rights or the book-entry accounts maintained by them; (b) maintaining, supervising or reviewing any records relating to such Rights; or (c) any advice or representations made or given by CDS or Participants with respect to the rules and regulations of CDS or any action to be taken by CDS or Participants.

The ability of a person having an interest in Rights held through a Participant to pledge such interest or otherwise take action with respect to such interest (other than through a Participant) may be limited due to the lack of a physical certificate. CDS Unitholders must arrange purchases or transfers of Rights through their Participant. See "*Sale or Transfer of Rights*".

Units Held in Registered Form

Unitholders who hold Units in registered form ("**Registered Unitholders**") will be mailed a copy of this short form prospectus and a Rights Certificate representing the total number of Rights to which each such Unitholder is entitled to receive. In order to exercise Rights represented by the Rights Certificate, Registered Unitholders must complete and deliver the Rights Certificate in accordance with the instructions set out under "*How to Complete the Rights Certificate*".

Rights not exercised by 5:00 p.m. (Vancouver time) on the Expiry Date will be void and of no value. The Subscription Price for Rights exercised by Registered Unitholders is payable in Canadian dollars by certified cheque, bank draft or money order payable to the Subscription Agent.

No Rights Certificates will be delivered to an address in the United States unless the Registered Holder certifies that the Holder is not a U.S. Person.

How to Complete the Rights Certificate

1. **Form 1 – Basic Subscription Right.** Every 221.12489 Rights entitle the holder thereof to subscribe for \$100 principal amount of Debentures. The maximum number of Rights that may be exercised pursuant to the Basic Subscription Right is shown in the box on the upper right hand corner of the face of the Rights Certificate. If Form 1 on the Rights Certificate is completed so as to exercise some but not all of the Rights represented by a Rights Certificate, the holder of such Rights Certificate will be deemed to have waived the unexercised balance of such Rights, unless the Subscription Agent is otherwise specifically advised by such holder at the time the Rights Certificate is surrendered that the Rights are to be transferred to a third party or are to be retained by the holder.

Only subscriptions for whole Debentures will be accepted. Each holder of a Rights Certificate which evidences a number of Rights not evenly divisible by 221.12489 will have the right to round up the principal amount of Debentures it is entitled to subscribe for to the next nearest multiple of \$100. The Step-Up Privilege will be void and of no further effect or value if any of the Rights evidenced by such certificate are sold, transferred or assigned by the Unitholder to whom such Rights were originally issued.

Completion of Form 1 on the Rights Certificate constitutes a representation by the holder thereof that the holder is not a resident or national of an Ineligible Jurisdiction or an agent of a person who is a national or resident of an Ineligible Jurisdiction.

2. **Form 2 – Additional Subscription Privilege.** Holders of Rights who exercise their Basic Subscription Right in full are entitled to subscribe for Additional Debentures. Only a holder of Rights who wishes to exercise the Additional Subscription Privilege should complete and sign Form 2 on the Rights Certificate. See "*– Additional Subscription Privilege*".
3. **Form 3 – Transfer of Rights.** Only a holder of Rights who wishes to transfer the Rights represented by a Rights Certificate should complete and sign Form 3 on the Rights Certificate. To complete a transfer, a holder of Rights must complete Form 3 on the Rights Certificate and have its signature guaranteed by a Schedule I bank, a major trust company in Canada, or a member of an acceptable Medallion Signature Guarantee Program (including STAMP, SEMP, and MSP). Members of STAMP are usually members of a recognized stock exchange in Canada or members of the Investment Industry Regulatory Organization of Canada. The guarantor must affix a stamp bearing the actual words "Signature Guaranteed." It is not necessary for a transferee to obtain a new Rights Certificate to exercise the Rights, but the signatures of the transferee on Forms 1 and 2 must correspond in every particular with the name of the transferee (or the bearer if no transferee is specified) as the absolute owner of the Rights Certificate for all purposes. If Form 3 is completed, the Fund and the Subscription Agent will treat the transferee as the absolute owner of the Rights Certificate for all purposes and will not be affected by notice to the contrary.
4. **Form 4 – Dividing or Combining.** Only a holder of Rights who wishes to divide or combine the Rights represented by a Rights Certificate should complete and sign Form 4 on the Rights Certificate. Rights Certificates need not be endorsed if the new Rights Certificate(s) will be issued in the same name. The Subscription Agent will then issue a new Rights Certificate in such denominations (totaling the same number of Rights as represented by the Rights Certificate(s) being divided or combined) as are required by the Rights Certificate holder. Rights Certificates must be surrendered for division or combination in sufficient time prior to the Expiry Time to permit the new Rights Certificates to be issued to and used by the Rights Certificate holder.
5. **Payment.** The Subscription Price of \$100 per Debenture, including any Additional Debentures requested, is payable in Canadian funds by certified cheque, bank draft or money order payable to the order of "Valiant Trust Company". If the number of Additional Debentures issued to a holder who has exercised the Additional Subscription Privilege is less than the number of Additional Debentures that such holder subscribed for, the Subscription Agent will, when mailing the debenture certificate for the Debentures issued to such holder, refund without interest or deduction the excess portion of the total Subscription Price paid by such holder.
6. **Delivery.** Holders of Rights who exercise their right to subscribe for Debentures must complete and mail the enclosed Rights Certificate to the Subscription Agent, together with payment of the Subscription Price, in the enclosed return envelope. The completed Rights Certificate and payment of the Subscription Price must be received by the Subscription Agent by no later than 5:00 p.m. (Vancouver time) on the Expiry Date. If mailing, registered mail is recommended. Please allow sufficient time to avoid late delivery.

The signature of the holder of a Rights Certificate must correspond in every particular with the name that appears on the face of the Rights Certificate. Signatures by a trustee, executor, administrator, guardian, attorney, officer of a corporation or any person acting in a fiduciary or representative capacity should be accompanied by evidence of authority satisfactory to the Subscription Agent. All questions as to the validity, form, eligibility (including time of receipt) and acceptance of any subscription will be determined by the Fund in its sole discretion, and any determination by the Fund will be final and binding on the Fund and its securityholders. Upon delivery or mailing of the completed Rights Certificate to the Subscription Agent, the exercise of the Rights and the subscription for

Debentures is irrevocable. The Fund reserves the right to reject any subscription if it is not in proper form or if the acceptance thereof or the issuance of Debentures pursuant thereto could be unlawful. The Fund also reserves the right to waive any defect in respect of any particular subscription. Neither the Fund nor the Subscription Agent is under any duty to give any notice of any defect or irregularity in any subscription, nor will they be liable for the failure to give any such notice.

If a holder of Rights has any questions with respect to the proper exercise of Rights, such holder should contact the Subscription Agent by telephone at 866-313-1872 or the Fund by telephone at 604-524-3744.

Undeliverable Rights

Rights Certificates returned to the Subscription Agent as undeliverable will not be sold by the Subscription Agent and no proceeds of sale will be credited to such holders. Such Rights will be available for exercise pursuant to the Additional Subscription Privilege.

Sale or Transfer of Rights

A holder of Rights in registered form may sell or transfer some or all of such Rights to any person who is not an Ineligible Holder. A holder who wishes to transfer some or all of its Rights must complete Form 3 on the Rights Certificate and have its signature guaranteed by a Schedule I bank, a major trust company in Canada, or a member of an acceptable Medallion Signature Guarantee Program (including STAMP, SEMP, and MSP). See "*How to Complete the Rights Certificate*". Holders who hold their Rights through a Participant must arrange purchases or transfers of Rights through their Participant.

Should the Rights be listed on the TSX, they will be posted for trading until 12:00 noon (Toronto time) on the Expiry Date, at which time they will be halted from trading. Holders who do not wish to exercise their Rights may sell or transfer their Rights in Canada through the usual investment channels, such as investment dealers and brokers, at the holder's own expense.

Dividing or Combining Rights Certificates

Rights Certificates may be divided or combined by completing Form 3 on the Rights Certificate and delivering the Rights Certificate to the Subscription Agent in sufficient time prior to the Expiry Time to permit the new Rights Certificates to be issued to and used by the Rights Certificate holder. See "*How to Complete the Rights Certificate*".

Dilution to Existing Holders

If a Holder wishes to retain its current percentage ownership in the Fund and assuming that all Rights are exercised, it should purchase all of the Debentures for which it may subscribe pursuant to the Basic Subscription Right for the Rights delivered under the Offering. If that Holder does not do so and other holders of Rights exercise any of their Rights, that Holder's current percentage ownership in the Fund may be diluted by the conversion of Debentures issued under this Offering, in addition to the dilution from resulting from any conversion of the Private Placement Debentures or the exercise of the Warrants. Unitholders should be aware that the Investors have agreed, subject to certain terms and conditions, to purchase up to an aggregate principal amount of \$3,250,000 Debentures offered hereunder. See "*Rights Offering Commitment*".

Ineligible Holders

This Offering is made only in the Eligible Jurisdictions. Accordingly, neither a subscription under the Basic Subscription Right nor under the Additional Subscription Privilege will be accepted from any person or such person's agent who appears to be, or who the Fund has reason to believe is, an Ineligible Holder, except that the Fund may accept subscriptions in certain circumstances from persons in such jurisdictions if the Fund determines that such offering to and subscription by such person or agent is lawful and in compliance with all securities and other laws applicable in the jurisdiction where such person or agent is resident. The United States is an Ineligible Jurisdiction and all U.S. Persons and persons in the United States are Ineligible Holders. No Rights will be issued to U.S. Persons or persons in the United States or to persons who are acting for the account or benefit of U.S. Persons or persons in the United States, and no subscription under the Basic Subscription Right or the Additional

Subscription will be accepted from any person or such person's agent who appears to be, or who the Fund has reason to believe is, a U.S. Person or person in the United States or who is acting for the account or benefit of a U.S. Person or person in the United States.

Rights Certificates will not be issued and forwarded by the Fund to Holders whose registered address is not in an Eligible Jurisdiction and who are not Approved Eligible Holders. Holders will be required to provide a residency declaration in connection with any exercise of the Rights. Ineligible Holders will be presumed to be resident in the place of their registered address unless the contrary is shown to the satisfaction of the Fund. Ineligible Holders will be sent this short form prospectus together with a letter advising them that their Rights Certificates will be issued to and held on their behalf by the Subscription Agent. The letter will also set out the conditions required to be met, and procedures that must be followed, by Ineligible Holders wishing to participate in the Offering. Notwithstanding the foregoing, no person who is a U.S. Person or located in the United States or who is acting for the account or benefit of a U.S. Person or person in the United States will be sent this short form prospectus. A separate letter advising Ineligible Holders who are in the United States, U.S. Persons or acting for the account or benefit of U.S. Persons or persons in the United States, will be sent to such Ineligible Holders informing them that the Offering has occurred and that their Rights Certificates will be held and sold for the benefit of such Ineligible Holder by the Subscription Agent in accordance with the terms of this "Ineligible Holders" section. Rights Certificates in respect of Rights issued to Ineligible Holders will be issued to and held by the Subscription Agent as agent for the benefit of Ineligible Holders. The Subscription Agent will hold the Rights until 5:00 p.m. (Vancouver time) on January 17, 2010, in order to provide Ineligible Holders an opportunity to claim the Rights Certificate by satisfying the Fund that the issue of Units pursuant to the exercise of Rights will not be in violation of the laws of the applicable jurisdiction. Following such date, the Subscription Agent, for the account of registered Ineligible Holders, will, prior to the Expiry Time on the Expiry Date, attempt to sell the Rights of such registered Ineligible Holders represented by Rights Certificates in the possession of the Subscription Agent on such date(s) and at such price(s) as the Subscription Agent will determine in its sole discretion.

Beneficial owners of Units registered in the name of a resident of an Ineligible Jurisdiction, who are not themselves resident in an Ineligible Jurisdiction, who wish to be recognized as an Approved Eligible Holder and who believe that their Rights Certificates may have been delivered to the Subscription Agent, should contact the Subscription Agent at the earliest opportunity and in any case in advance of 5:00 p.m. (Vancouver time) on January 17, 2010 to request to have their Rights Certificates mailed to them.

Rights of beneficial Ineligible Holders will be held on their behalf either by the Subscription Agent or by the relevant securities broker or dealer, bank or trust company or other participant (including a Participant) through which they hold securities. Either the Subscription Agent or the relevant participant, as the case may be, will attempt to sell the Rights of such beneficial Ineligible Holders, for their account, on such date(s) and at such price(s) as determined by the particular agent, in its sole discretion.

The Rights and the securities issuable on the exercise of the Rights have not been qualified for distribution in any Ineligible Jurisdiction and, accordingly, may only be offered, sold, acquired, exercised or transferred in transactions not prohibited by applicable laws in Ineligible Jurisdictions. Notwithstanding the foregoing, persons located in such Ineligible Jurisdictions may be able to exercise the Rights and purchase Debentures provided that they furnish an investor letter satisfactory to the Fund on or before January 17, 2010; provided, however, that a person who is located in the United States, is a U.S. Person or who is acting for the account or benefit of a U.S. Person may not exercise Rights or purchase Debentures. A holder of Rights in an Ineligible Jurisdiction holding on behalf of a person resident in an Eligible Jurisdiction may be able to exercise the Rights provided the holder certifies in the investor letter that the beneficial purchaser is resident in an Eligible Jurisdiction and satisfies the Fund that such subscription is lawful and in compliance with all securities and other applicable laws.

No charge will be made for the sale of Rights by the Subscription Agent except for a proportionate share of any brokerage commissions incurred by the Subscription Agent and the costs of or incurred by the Subscription Agent in connection with the sale of the Rights. Registered Ineligible Holders will not be entitled to instruct the Subscription Agent in respect of the price or the time at which the Rights are to be sold. The Subscription Agent will endeavour to effect sales of Rights on the open market and any proceeds received by the Subscription Agent with respect to the sale of Rights net of brokerage fees and costs incurred and, if applicable, the Canadian tax required to be withheld, will be divided on a *pro rata* basis among such registered Ineligible Holders and delivered by mailing cheques (in Canadian funds) of the Subscription Agent therefor as soon as practicable to such registered Ineligible Holders at their addresses recorded on the books of the Fund. Amounts of less than \$10.00 will not be remitted. The

Subscription Agent will act in its capacity as agent of the registered Ineligible Holders on a best efforts basis only and the Fund and the Subscription Agent do not accept responsibility for the price obtained on the sale of, or the inability to sell, the Rights on behalf of any registered Ineligible Holder. Neither the Fund nor the Subscription Agent will be subject to any liability for the failure to sell any Rights of registered Ineligible Holders or as a result of the sale of any Rights at a particular price or on a particular day. There is a risk that the proceeds received from the sale of Rights will not exceed the costs of or incurred by the Subscription Agent in connection with the sale of such Rights and, if applicable, the Canadian tax required to be withheld. In such event, no proceeds will be remitted.

Similar provisions will apply to Rights held by a participant on behalf of a beneficial Ineligible Holder.

Holders of Rights who are not resident in Canada should be aware that the acquisition and disposition of any of the Offered Securities may have tax consequences in the jurisdiction in which they reside which are not described in this short form prospectus. Such holders should consult their own tax advisors about the specific tax consequences of acquiring, holding and disposing of the Offered Securities.

Debenture Certificates

Debentures issued in connection with this Offering will be registered in the name of the person to whom the Rights Certificate was issued or to whom the Rights have been properly and duly transferred. The certificates representing such Debentures will be delivered by mail to the address of the subscriber as it appears on the Rights Certificate, unless otherwise directed, or to the address of the transferee, if any, indicated on the appropriate form on the Rights Certificate as soon as practicable after the Expiry Date. Except as otherwise described under "*Ineligible Holders*", Debentures will not be issued to or on behalf of any Unitholders with addresses of record in an Ineligible Jurisdiction.

Holders of Rights that hold their Rights through a Participant will not receive physical certificates evidencing their ownership of Debentures issued upon the exercise of Rights. Upon the closing of the Offering, a global certificate representing such Debentures will be issued in registered form to, and in the name of, CDS or its nominee.

DESCRIPTION OF DEBENTURES

Every 221.12489 Rights entitle the holder thereof to subscribe for \$100 principal amount of Debentures. The following is a description of the material attributes of the Debentures and the Private Placement Debentures. The terms and conditions of the Debentures and the Private Placement Debentures are identical. In the summary below, unless otherwise noted, references to Debentures also includes the Private Placement Debentures. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the terms of the Trust Indenture (as defined below). The Trust Indenture is available for inspection at the offices of the Debenture Trustee (as defined below) and is available electronically at www.sedar.com.

General

The Private Placement Debentures have been and the Debentures will be issued under an indenture dated November 26, 2009 (the "**Trust Indenture**") between the Fund and Valiant Trust Company, as trustee (the "**Debenture Trustee**"). An unlimited aggregate principal amount of Debentures are authorized for issuance under the Trust Indenture. The Fund may from time to time, without the consent of the holders of Debentures, but subject to the limitations described herein, issue additional debentures having the same terms as the Debentures offered hereby. The Debentures will be dated on or about January 27, 2010 and will be issuable in registrable form in multiples of \$100 or, in the case of the Interest Debentures, multiples of \$1.00. The Private Placement Debentures are dated November 26, 2009. The Debentures will bear interest at a rate of 10% per annum. See "*Interest*".

The Debentures will be direct obligations of the Fund and will be secured by a second priority lien on all of the present and after-acquired personal property of the Fund and its material subsidiaries. The Debentures will be fully and unconditionally guaranteed by each of TII, Tree Island Wire (USA) Holdings, Inc. and Tree Island Wire (collectively, the "**Guarantors**"). In the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings including the Fund and certain of its affiliates as set out in the Intercreditor Agreement, holders of Senior Indebtedness will receive payment in full before the holders of Debentures and Private Placement Debentures are entitled to receive any payment or distribution of any kind or character. See "*Subordination*".

Maturity

The maturity date of the Debentures will be November 26, 2014, regardless of the date of issuance.

Interest

The Debentures will bear interest from, subject to certain restrictions described below, the date of issue at an annual rate of 10% per annum. Interest accrued to each Interest Calculation Date will be paid on the 30th day of the month next following each Interest Calculation Date to the registered holders of the Debentures on such Interest Calculation Date. Assuming the Debentures are issued on January 27, 2010, the first interest payment or accrual on April 30, 2010 will be in respect of the period from and including January 27, 2010 to and including March 31, 2010. The first interest payment for the Private Placement Debentures will be January 30, 2010, for the period ending December 31, 2009.

Under the terms of the Intercreditor Agreement, the Fund is prohibited from making cash interest payments on the Debentures under certain circumstances. The Intercreditor Agreement also provides that, if as a result of any accounting adjustments based on the annual audit of TII, either agent of the Fund's senior lenders determines, in its reasonable judgment, that a prior cash interest payment made by the Fund in respect of the Debentures would have been prohibited under the terms of the Intercreditor Agreement had such adjusted figures been in effect on the date of such interest payment, then holders of Debentures who received such payment must, within five days of receipt by the Debenture Trustee of notice of such determination, return the full amount of the interest payment to the Debenture Trustee. In such event, the returned payment may be paid by the Fund to holders of Debentures on any subsequent regularly scheduled quarterly interest payment date, provided that it is not prohibited from making such payment under the Intercreditor Agreement. See "*Recapitalization Transaction – Private Placement – Intercreditor Agreement*".

If the Fund is prohibited under its credit facilities or the Intercreditor Agreement from paying interest on the Debentures in cash in respect of any interest payment period, the Fund may, subject to regulatory approval, elect to satisfy its obligation to pay interest on the Debentures by issuing and delivering Interest Debentures. Interest Debentures will have the same terms and conditions as the Debentures issued hereunder and will be issued at a principal amount that is rounded down to the nearest multiple of \$1.00. Fractional Debentures will not be issued if the Fund elects to satisfy its obligation to pay interest on the Debentures by issuing and delivering Interest Debentures in lieu of cash, and holders of Debentures will not be entitled to receive a cash payment in respect of any fractional interest.

In addition, if the Fund is prohibited under its senior credit facilities or the Intercreditor Agreement from paying interest on the Debentures in cash in respect of any interest payment period, the Fund may elect to defer interest payments on the Debentures in respect of such period until the earlier of: (a) the first interest payment date on which the Fund may resume making cash interest payments under the terms of the Credit Agreement and the Intercreditor Agreement; and (b) the Maturity Date, provided that the Fund may not elect to defer interest in respect of more than eight quarters, whether or not consecutive. Deferred interest will accrue interest at a rate of 10% per annum until paid in full.

Additional Indebtedness

The Trust Indenture does not restrict the Fund from incurring additional indebtedness for borrowed money or otherwise or mortgaging, pledging or charging its properties to secure any indebtedness.

Subordination

The payment of the principal of, and interest on, the Debentures will: (a) rank *pari passu* in right of payment, without discrimination, preference or priority, with all other debentures issued pursuant to the Trust Indenture; and (b) be subordinate in right of payment to all Senior Indebtedness, as set forth in the Trust Indenture and the Intercreditor Agreement.

In the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings relative to the Fund, certain of its affiliates, its property or its assets, or in the event of any

proceedings for voluntary liquidation, dissolution or other winding-up of the Fund, whether or not involving insolvency or bankruptcy, or any marshalling of the assets and liabilities of the Fund, holders of Senior Indebtedness will receive payment in full before the holders of Debentures and Private Placement Debentures are entitled to receive any payment or distribution of any kind or character, whether in cash, property or securities, which may be payable or deliverable in any such event in respect of any of the Debentures or Private Placement Debentures or any unpaid interest accrued thereon.

Additionally, pursuant to the Proceeds Sharing Agreement, the first \$6,000,000 paid in respect of amounts owing by the Fund under the Debentures (including the Private Placement Debentures) following an event of default that results in an acceleration of such amounts owing will be divided among the holders of Debentures and such significant trade creditors. See "*Recapitalization Transaction – Private Placement – Forbearance Agreements/ Proceeds Sharing Agreement*".

The Debentures shall bear the following legend:

"This instrument and the rights and obligations evidenced hereby are subordinate in the manner and to the extent set forth in that certain Subordination and Intercreditor Agreement (as amended, modified, supplemented, extended, restated or replaced from time to time, the "Subordination Agreement") dated as of November 26, 2009 among Valiant Trust Company as debenture trustee and collateral agent for the subordinated creditors (the "Subordinated Agent") Tree Island Wire Income Fund (the "Fund"), Tree Island Industries, Ltd. (the "Company"), Tree Island Wire Holdings (USA), Inc. ("Wire Holdings") and Tree Island Wire (USA), Inc. ("Wire USA" and, together with the Fund, the Company and Wire Holdings, the "Obligors"), GE Canada Finance Holding Company ("Senior Canadian Agent") and General Electric Capital Corporation ("Senior US Agent"), to the indebtedness (including interest) owed by the Obligors in connection with those certain Senior Debt Documents (as defined in the Subordination Agreement); and each holder of this instrument, by its acceptance hereof, irrevocably agrees to be bound by the provisions of the Subordination Agreement."

Conversion Privilege

The principal amount outstanding under each Debenture will be convertible into freely tradeable Units, at the option of the holder, at any time prior to 4:00 p.m. (Vancouver time) on the Maturity Date or, if the Debentures are called for redemption, 4:00 p.m. (Vancouver time) on the last business day immediately preceding the date specified by the Fund for the redemption of the Debentures. All accrued and unpaid interest on a Debenture that is converted into Units up to and including the date of conversion will be paid to the holder on the conversion date. The Conversion Price of the Debentures will be \$0.50 per Unit (being a rate of 200 Units per \$100 principal amount of Debentures), subject to adjustment in certain events as provided in the Trust Indenture. No fractional Units will be issued on the conversion of Debentures, but the Fund will make an equivalent cash payment in lieu thereof.

Subject to the provisions thereof, the Trust Indenture will provide for the adjustment of the Conversion Price in certain circumstances, including the following:

- (a) the issuance of securities (other than rights, options or warrants) to all or substantially all Unitholders by way of a Unit dividend or interest or distributions;
- (b) the subdivision or consolidation of the outstanding Units;
- (c) the issuance of options, rights or warrants to all or substantially all Unitholders entitling them to acquire Units or other securities convertible into Units at a price less than 95% of the then Current Market Price (as defined below) of the Units; and
- (d) certain other distributions by the Fund to all or substantially all Unitholders of securities, rights, options or warrants, evidences of indebtedness or other assets (excluding cash dividends or cash distributions).

In the case of a capital reorganization of the Fund (other than as described in paragraphs (a) or (b) above), or in the case of a consolidation, merger, amalgamation, arrangement or similar transaction involving the Fund and any other

entity, the terms of the conversion privilege will be adjusted so that each holder of a Debenture will, after such event, be entitled to receive the number of Units, other securities or consideration that such holder would be entitled to receive if on the effective date of such event such holder had been the holder of that number of Units into which the Debentures held by such holder were convertible immediately prior to the effective date of such event.

There will be no adjustment to the Conversion Price unless the cumulative effect of such adjustments would change the Conversion Price by at least 1%. Further, the Fund will not be required to make any adjustments to the Conversion Price following any of the events described above if the holders of the Debentures are allowed to participate as though they had converted their Debentures into Units immediately prior to the applicable record date or effective date. No adjustment to the Conversion Price will be made in respect of the issuance of Units pursuant to the Debentures or securities convertible into or forming part of the Units outstanding as of the issue date of the Debentures.

The term "Current Market Price" in the Trust Indenture means the weighted average trading price per Unit on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the date in respect of which the Current Market Price of the Units is required to be calculated and, if no such price is available will be the fair market value as determined by the Fund's auditor.

Redemption

The Debentures will not be redeemable on or before November 26, 2012. After such date and on or prior to the Maturity Date, the Debentures may be redeemed in cash, in whole or in part, from time to time at the option of the Fund on at least 30 days prior written notice, at a price equal to the principal amount plus all accrued and unpaid interest, provided that: (a) the weighted average trading price for the Units on the TSX for the 30 consecutive trading days ending on a date that is no more than 10 business days prior to the date on which notice of redemption is given is at least 150% of the Conversion Price; and (b) no event of default under the Trust Indenture has occurred and is continuing. If the Fund elects to redeem only a portion of the outstanding Debentures, the Debentures to be redeemed will be selected by the Debenture Trustee on a *pro rata* basis or in such other manner as the Debenture Trustee deems equitable.

Payment upon Redemption or Maturity

On redemption or maturity, the Fund is required to repay the indebtedness represented by the Debentures by paying to the Debenture Trustee in lawful money of Canada an amount equal to the aggregate redemption price of the outstanding Debentures which are to be redeemed or the principal amount of the Debentures which have matured, in each case together with the accrued and unpaid interest and deferred interest thereon.

Purchase for Cancellation

Subject to applicable securities laws, the Fund and/or its affiliates may purchase Debentures for cancellation at any time.

Events of Default

The Trust Indenture will provide that it will constitute an event of default (an "**Event of Default**") if certain events have occurred and are continuing, including the following:

- (a) the Fund fails to pay the Offer Price (as defined below) when the same becomes due and payable, or if the Fund fails to make an Offer (as defined below) within 30 days following the effective date of a Change of Control (as defined below);
- (b) the Fund fails to pay principal, interest, whether in cash or in kind, or other amounts payable under the Debentures other than the Offer Price, which failure remains unremedied for 10 days;
- (c) the Fund defaults in the performance of any covenant or obligation under the Trust Indenture, any security agreements, deeds of trust, mortgages or any other documents executed by the Fund or any of its affiliates creating a lien that secures the Debentures or any of the guarantees of the

Fund's payment obligations under the Trust Indenture (the "**Collateral Documents**"), which default remains unremedied for a period of 30 days;

- (d) as a consequence of an event of default any senior indebtedness of the Fund under its Credit Agreements or any other indebtedness of the Fund or any of its material subsidiaries in excess of \$3,000,000 becomes or is declared due and payable prior to the date on which it was otherwise scheduled to become due and payable, and such acceleration is not rescinded within a period of 10 days;
- (e) any guarantee under the Trust Indenture or Debenture is held to be unenforceable or invalid at an unappealable judicial proceeding;
- (f) if the Fund or any of the Guarantors denies or disaffirms its obligations under the Collateral Documents or asserts that the Collateral Documents are not in full force and effect;
- (g) any one of the Collateral Documents is or becomes unenforceable against the Fund or the Guarantors; and
- (h) certain events of bankruptcy, insolvency or reorganization of the Fund under bankruptcy or insolvency laws.

Subject to limitations contained in the Intercreditor Agreement, if an Event of Default has occurred and is continuing, the Debenture Trustee may, in its discretion, and shall, upon the written request of holders of not less than 25% of the principal amount of outstanding Debentures, declare the principal of and interest on all outstanding Debentures to be immediately due and payable. Under the Proceeds Sharing Agreement, Valiant is required, under certain circumstances, to divide a portion of the payment received upon such Event of Default between the holders of Debentures and the Fund's key trade creditors. See "*Recapitalization Transaction – Private Placement – Forbearance Agreements*". In certain cases, the holders of a majority of the principal amount of outstanding Debentures may, on behalf of all holders of Debentures, waive any Event of Default and/or cancel any such declaration upon such terms and conditions as such holders shall prescribe.

Change of Control

Upon the occurrence of a change of control of the Fund involving the acquisition of beneficial ownership, voting control or direction over more than 50% of the aggregate voting rights attached to the then outstanding Units or of assets representing more than 50% of the consolidated book value of the Fund's assets, or a merger, amalgamation, arrangement or similar transaction in which the holders of the Units immediately prior to the occurrence of such event hold less than 50% of the voting rights in the resulting entity (a "**Change of Control**"), the Fund will be required to make an offer in writing (the "**Offer**") to purchase all of the Debentures then outstanding at a price equal to 110% of the principal amount thereof plus all accrued and unpaid interest, if any, to such date (the "**Offer Price**").

The Trust Indenture contains notification and repurchase provisions requiring the Fund to give written notice to the Debenture Trustee of the occurrence of a Change of Control, together with the Offer, within 30 days of such event. The Debenture Trustee will thereafter mail to each holder of Debentures a notice of Change of Control, together with a copy of the Offer to repurchase all of the outstanding Debentures.

If 90% or more in aggregate principal amount of the Debentures outstanding on the date on which the Fund notifies the Debenture Trustee of the Change of Control have been tendered to the Fund pursuant to the Offer, the Fund will have the right and obligation to redeem all of the remaining Debentures at the Offer Price. Notice of such redemption must be given by the Fund to the Debenture Trustee within ten days following the expiry of the Offer, and by the Debenture Trustee to the holders who have not tendered their Debentures to the Offer as soon as practicable thereafter.

Offers for Debentures

The Trust Indenture contains provisions to the effect that if an offer is made for the Debentures which is a take-over bid for the Debentures within the meaning of applicable securities laws and not less than 90% of the Debentures (other than Debentures held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of

the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the remaining Debentures on the terms offered by the offeror.

Canadian Withholding Taxes

If the Fund is required to withhold or deduct any amount for or on account of any tax or other government charge imposed or levied by the Government of Canada or any Canadian Province or Territory (or by any authority or agency therein or thereof) having power to tax for any payment made under or in respect of the Debentures, including on conversion of the Debentures, the Fund will make such withholding or deduction and remit the full amount deducted or withheld to the relevant authority as and when required in accordance with applicable law.

Modifications

The rights of the holders of the Debentures and any other debentures that may be issued under the Trust Indenture may be modified in accordance with the terms of the Trust Indenture. For that purpose, among others, the Trust Indenture contains certain provisions which makes binding on all holders of Debentures resolutions passed at meetings of the holders of Debentures by votes cast thereat by holders of not less than 66 $\frac{2}{3}$ % of the principal amount of the Debentures present at the meeting or represented by proxy, or rendered by instruments in writing signed by the holders of not less than 66 $\frac{2}{3}$ % of the principal amount of the Debentures. Notwithstanding the foregoing, without the prior written consent of each holder of Debentures, the Trust Indenture and the Debentures may not be amended or supplemented to: (a) alter the manner of calculation or rate of accrual of interest on the Debentures or change the time of payment; (b) make the Debentures payable in money or securities other than that stated in the Debenture; (c) change the Maturity Date; (d) reduce the principal amount or Offer Price in respect of a Change of Control with respect to the Debenture; (e) change the Fund's obligation to make an Offer in connection with a Change of Control; (f) change the currency of payment of principal of, or interest on, the Debentures; or (g) change the provisions in the Trust Indenture that relate to modifying or amending the Trust Indenture.

Negative Covenants

The Trust Indenture contains certain negative covenants of the Fund which apply so long as any obligations remain outstanding under the Debentures or the Trust Indenture. Without the consent of: (i) the holders of at least 50% of the outstanding principal amount of the Debentures; or (ii) the Debenture Trustee, on behalf of the holders of the Debentures (provided that the Debenture Trustee is satisfied that the rights of the holders of the Debentures are not prejudiced in any material respect), the Fund will not do or permit any of its material subsidiaries to do any of the following:

- (a) lend any money to or guarantee the obligations of any person (other than the Fund or a subsidiary as applicable), or otherwise become liable for any debts, liabilities or obligations of any other person (other than the Fund or a subsidiary as applicable) or otherwise provide financial assistance to any person (other than the Fund or a subsidiary as applicable), except in the ordinary course of business, which includes extending customer credit in the ordinary course from time to time, or as otherwise contemplated in the Debentures or in the Collateral Documents;
- (b) incur any debt which is senior to the Debentures in priority of payment or security which is not senior indebtedness of the Fund under its Credit Agreements unless the incurrence of such debt is permitted by the terms of any of the Credit Agreements;
- (c) create, assume, incur or permit to exist any mortgage, lien, pledge, charge, security interest, assignment for security or other security agreement or encumbrance on any of its property, assets or undertaking whether now owned or hereafter acquired senior or pari passu with in priority to the Debentures, other than certain permitted liens and any liens or encumbrances permitted by the terms of any of the Credit Agreements;
- (d) continue its existence from its current jurisdiction to another jurisdiction unless it has given the Debenture Trustee 30 days prior written notice and prior to such continuation created or granted such additional security documents as are reasonably required by the Debenture Trustee arising from the continuation and registered, to the extent required by the Debenture Trustee, any Collateral Documents then held by the Debenture Trustee in the other jurisdiction;

- (e) enter into any asset sale agreement(s) or arrangement(s) pursuant to which it would, either in a single transaction or a series of related transactions, sell, lease, transfer or otherwise dispose of assets having a value in excess of \$1,500,000 or that constitute all or substantially all of the assets of the Fund on a consolidated basis unless such sale, lease, transfer or other disposition is to the Fund or a material subsidiary or in respect of a or a transaction involving the conversion of the Fund into a corporate form, or such sale, lease, transfer or other disposition is of: (i) inventory sold in the ordinary course of business; (ii) assets or property that are obsolete or surplus; (iii) property that is sold or otherwise disposed of and replaced with property of reasonably equal or greater value within 180 days from the proceeds of sale, lease, transfer or other disposition; or (iv) assets or property the sale, lease or other disposition of which is permitted under the terms of any of the Credit Agreements;
- (f) except for investments in short-term instruments issued by the Government of Canada or any Province thereof or by the United States of America or any State thereof or issued by a Canadian or United States chartered bank or insurance company rated A or better by Standard & Poor's Rating Services, a division of The McGraw Hill Companies, Inc. and except for any acquisition or investment financed entirely by the issue of Units, acquire or invest (i) in any property that is not a Permitted Investment (as defined below), (ii) in any person (other than the Fund or a subsidiary) that does not carry on a similar or related business to the Fund and its consolidated subsidiaries, or (iii) in any property or asset unless the acquisition or investment in that asset or property is permitted by the terms of the Credit Agreements;
- (g) enter into any transaction or series of transactions, whether by way of reconstruction, reorganization, recapitalization, consolidation, amalgamation, merger, transfer, sale or otherwise, whereby all or substantially all of its undertaking, property and assets would become the property of any other corporation or continuing corporation or other person other than a material subsidiary (other than any such transaction or series of transactions that constitute a change of control or a transaction involving the conversion of the Fund into a corporate form);
- (h) effect any material change in the nature of its business, which shall not apply to any business arising from, developing out of or related to the business carried on as at the date of the Trust Indenture; or
- (i) do or permit anything to adversely affect the validity of the security granted under the Collateral Documents except for actions permitted under the terms of the Trust Indenture or the Collateral Documents.

Permitted Investments under the Trust Indenture include: (i) any investment made as a result of the receipt of non-cash consideration from an asset sale that was permitted pursuant to the terms of the Trust Indenture; (ii) any investment received in compromise or resolution of (A) obligations of trade creditors or customers that were incurred in the ordinary course of business; or (B) litigation, arbitration or other disputes; or (iii) repurchases of Debentures; and (iv) extensions of trade credit or advances to customers on commercially reasonable terms in the ordinary course of business.

Other Covenants

Pursuant to the Trust Indenture, the Fund has made various covenants, which include, among other things: (i) to pay the principal of, premium (if any) and interest accrued on the Debentures as set out in the Trust Indenture and the Debentures; (ii) to pay the Debenture Trustee reasonable remuneration for its services and certain expenses incurred in relation to the Trust Indenture; (iii) to notify the Debenture Trustee immediately upon obtaining knowledge of any default or event of default under the Trust Indenture; (iv) to conduct its business and cause its material subsidiaries to carry on and conduct their businesses in a proper, efficient and business-like manner and in accordance with good business practices and, subject to the terms of the Trust Indenture, to do or cause to be done all things necessary to preserve and keep in full force and effect the Fund's and its material subsidiaries' existences and rights (v) to keep proper books of record and account in accordance with generally accepted accounting principles; (vi) to not declare or make any distribution to the holders of Units after the occurrence of an event of default under the Trust Indenture unless and until such default has been cured or waived or ceased to exist; (vii) to perform all covenants and

agreements contained in the Trust Indenture; (viii) to provide the Debenture Trustee and holders of Debentures with continuous disclosure documents that are sent to holders of Units under applicable securities law as set out in the Trust Indenture; (ix) if no longer a reporting issuer under applicable securities laws, to continue to provide the Debenture Trustee, the Debenture holders and, upon request, beneficial holders of Debentures, annual and interim financial statements and related management's discussions and analyses; (x) to comply, along with its subsidiaries, in all material respects with the requirements of all applicable laws and its obligations under all insurance policies and other contracts to which it is a party; (xi) to conduct its affairs so as to continue to qualify as a mutual fund trust under the [Tax Act](#) until such time as it completes a conversion to a corporate form; (xii) to use commercially reasonable efforts to ensure that the Units are listed and posted for trading on the TSX, or, if no longer listed on the TSX, another stock exchange or market in Canada and to use commercially reasonable efforts to maintain such listing and the Fund's status as a reporting issuer under applicable securities laws; and (xiii) to have any subsidiary, that is not a Guarantor, execute a guarantee if the Fund or any of the Guarantors transfer or cause the transfer of assets, businesses, divisions, real property or equipment to any such subsidiary or organize, acquire or otherwise invest in such subsidiary such that the subsidiary becomes a material subsidiary under the Trust Indenture.

INFORMATION REGARDING CREDIT SUPPORTERS

The consolidated financial statements of the Fund include the consolidated financial results of the Fund and its Guarantor and non-Guarantor subsidiaries. Consolidated summary financial information of the Fund, the Guarantors and the non-Guarantor subsidiaries of the Fund as at and for the nine months ended September 30, 2009 is presented in the table below:

Selected Financial Information
As at and for the nine months ended September 30, 2009
(in \$ 000s)

	<u>The Fund</u>	<u>Guarantors</u>	<u>Non-Guarantor Subsidiaries of the Fund</u>	<u>Consolidating Adjustments</u>	<u>Total Consolidated Amounts</u>
Sales.....	\$ -	\$ 130,806	\$ 15,058	\$ (7,024)	\$ 138,841
Net income (loss).....	(131)	(43,400)	(415)	3,777	(40,170)
Current assets.....	4,955	67,686	6,118	(13,458)	65,302
Non-current assets	194,208	54,968	794	(204,327)	45,644
Current liabilities	6,727	88,143	3,542	(15,123)	83,289
Non-current liabilities	-	183,356	-	(177,912)	5,445

Consolidated summary financial information of the Fund, the Guarantors and non-Guarantor subsidiaries of the Fund as at and for the year ended December 31, 2008 is presented in the table below:

Selected Financial Information
As at and for the year ended December 31, 2008
(in \$ 000s)

	<u>The Fund</u>	<u>Guarantors</u>	<u>Non-Guarantor Subsidiaries of the Fund</u>	<u>Consolidating Adjustments</u>	<u>Total Consolidated Amounts</u>
Sales.....	\$ -	\$ 309,638	\$ 29,316	\$ (16,211)	\$ 322,743
Net income (loss).....	18,912	(72,863)	1,250	(12,287)	(64,988)
Current assets.....	4,017	140,355	6,674	(9,098)	142,002
Non-current assets	193,659	70,515	860	(203,750)	61,284
Current liabilities	5,456	134,921	3,748	(10,676)	133,450
Non-current liabilities	-	186,556	-	(177,739)	8,818

EARNINGS COVERAGE RATIO

The tables below set forth the actual and *pro forma* earnings coverage ratios for the Fund (after giving effect to the Recapitalization Transaction and the use of proceeds therefrom) for the twelve month periods ended December 31, 2008 and September 30, 2009 and contains financial information that is derived from the unaudited interim financial

statements for the period ended September 30, 2009 and audited financial statements for the year ended December 31, 2008 which are incorporated herein by reference:

	Twelve months ended December 31, 2008		Twelve months ended September 30, 2009	
	Actual	Pro forma earnings coverage ⁽¹⁾⁽²⁾	Actual	Pro forma earnings coverage ⁽¹⁾⁽²⁾
	(in \$ 000s)			
Interest requirements	\$ 5,896	\$ 14,121	\$ 6,980	\$ 15,709
Loss before interest expense and income taxes	(63,811)	(40,874)	(120,152)	(95,719)
Earnings coverage⁽²⁾	(10.8)	(2.9)	(17.2)	(6.1)
Interest requirements				
Interest as per financial statements:				
Interest on revolving credit	2,992	2,992	2,748	2,748
Other interest and fees	2,711	2,711	2,973	2,973
Deferred financing amortization	357	357	1,318	1,318
Interest income	(164)	(164)	(58)	(58)
	5,896	5,896	6,980	6,980
Adjustments to interest expense:				
Reduction in interest on revolving credit	-	(832)	-	(955)
Interest expense on convertible debenture ⁽³⁾	-	-	-	-
Cash portion	-	1,975	-	1,975
Non-cash portion	-	968	-	968
Interest expense on Forbearance Agreements ⁽⁴⁾				
Cash portion	-	-	-	-
Non-cash portion	-	6,113	-	6,741
	5,896	14,121	6,980	15,709
Loss before interest expense and income taxes				
Net loss as per financial statements ⁽⁴⁾	\$ (64,988)	\$ (50,275)	\$ (120,041)	\$ (104,337)
Income tax recovery	(4,719)	(4,719)	(7,091)	(7,091)
Interest on convertible debt	-	2,943	-	2,943
Interest on Forbearance Agreements	-	6,113	-	6,741
Interest on revolving credit	2,992	2,160	2,748	1,793
Other interest and fees	2,711	2,711	2,973	2,973
Deferred financing costs	357	357	1,318	1,318
Interest income	(164)	(164)	(58)	(58)
	(63,811)	(40,874)	(120,152)	(95,719)

(1) The *pro forma* earnings coverage ratios have been calculated as the ratio of net earnings before interest expense and income taxes to interest expense including interest on the Debentures, Forbearance Agreements, revolving credit advances, other interest and fees, and deferred financing amortization offset by interest income. The *pro forma* earnings coverage ratios have been calculated to give effect to the issuance of the Debentures and the entering into of the Forbearance Agreements as if they had been issued or entered into, respectively, on January 1, 2008 for the 12 month period ended December 31, 2008 and on October 1, 2008 for the 12 month period ended September 30, 2009 and using the foreign exchange rates applicable for those periods.

(2) In order to achieve an earnings coverage ratio of one-to-one for the 12 month period ended December 31, 2008, the Fund would need to have earned an additional \$55.0 million and for the 12 month period ended September 30, 2009 the Fund would have had to earn \$111.4 million.

- (3) Assuming the maximum amount of the Offering, the Debentures, including the Private Placement Debentures, have an aggregate face value of \$19.75 million and a coupon rate of 10%. After taking into account the option conversion feature, Warrants issued pursuant to the Private Placement and the change of control premium the fair value of the debt component of the Debentures, including the Private Placement Debentures, net of transaction costs, is estimated at \$11.8 million with an effective interest rate of 21.9%. The effective interest rate for accounting purposes of the Debentures and the Private Placement Debentures associated with the Recapitalization Transaction, once issued, may vary from the estimated 21.9% rate used in this interest coverage calculation for various reasons including finalization of the value of the option conversion feature, change of control premium and final accrual of transaction costs.
- (4) The Forbearance Agreements have been valued, net of transaction costs, with effective interest rates ranging from 22.4% to 22.8% resulting in a fair value of \$23.6 million and \$25.2 million as at January 1, 2008 and October 1, 2008 respectively. Interest on the amounts owing under the Forbearance Agreements accrues at a rate of 7.0% compounded annually and is payable only at maturity or on an event of default pursuant to the terms thereof. The effective interest rates of the amounts owing under the Forbearance Agreements for accounting purposes may vary from the estimated rates used in this earnings coverage calculation once the accounting is finalized and all transaction costs have been accrued. The accounting treatment of the Forbearance Agreements will require that the original amounts payable be derecognized and re-recorded at their present value resulting in a gain being recognized for the difference. For purposes of the *pro forma* earnings coverage ratios the *pro forma* gain recognized and translated at the exchange rates in effect at the beginning of the periods would be \$14.7 million and \$15.7 million for the 12 month periods ended December 31, 2008 and September 30, 2009 respectively.

The Fund's interest requirements, after giving effect to the issuance of the Convertible Debentures, amounted to approximately \$14.1 million and \$15.7 million for the 12 months ended December 31, 2008 and September 30, 2009, respectively. The Fund's loss before interest and income tax for the 12 months ended December 31, 2008 and September 30, 2009 was approximately \$40.9 million and \$95.7 million, respectively, which is (2.9) and (6.1) times the Fund's interest requirements, respectively, for each such period. In order to achieve an earnings coverage ratio of one-to-one for the 12 month period ended December 31, 2008, the Fund would need to have earned an additional \$55.0 million and for the 12 month period ended September 30, 2009 the Fund would have had to earn \$111.4 million.

DESCRIPTION OF UNITS

The Units

The Units are entitled to the rights and subject to the limitations, restrictions and conditions set out in the Declaration of Trust as summarized herein. An unlimited number of Units may be issued pursuant to the Declaration of Trust. Each Unit is transferable and represents an equal undivided beneficial interest in any distributions from the Fund, whether of net income, net realized capital gains or other amounts, and in any Fund assets (net of liabilities of the Fund) or any other net assets of the Fund in the event of termination or winding-up of the Fund and entitles the holder thereof to one vote at all meetings of Unitholders for each Unit held. Except as set out under "Redemption Right" below, the Units have no conversion, retraction, redemption or pre-emptive rights.

The Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* and are not insured under the provisions of that Act or any other legislation. Furthermore, the Fund is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Redemption Right

Units are redeemable at any time on demand by the holders thereof. Upon receipt of a written redemption notice by the Fund, all rights to and under the Units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per Unit (the "**Redemption Price**") equal to the lesser of:

- (a) 90% of the "market price" of the Units on the principal market on which the Units are quoted for trading during the ten trading day period commencing immediately subsequent to the date on which the Units were surrendered to the Fund for redemption (the "**Redemption Date**"); and
- (b) 100% of the "closing market price" on the principal market on which the Units are quoted for trading on the Redemption Date.

For the purposes of this calculation, "market price" will be an amount equal to the weighted average of the closing price of the Units for each of the trading days on which there was a closing price, provided that if the applicable exchange or market does not provide a closing price, but only provides the highest and lowest prices of the Units traded on a particular day, the "market price" shall be an amount equal to the weighted average of the highest and lowest prices for each of the trading days on which there was a trade, and provided further that if there was trading on the applicable exchange or market for fewer than five of the ten trading days, the "market price" shall be the

weighted average of the following prices established for each of the ten trading days: the weighted average of the last bid and last asking prices of the Units for each day there was no trading; the closing price of the Units for each day that there was trading if the exchange or market provides a closing price; and the weighted average of the highest and lowest prices of the Units for each day that there was trading if the market provides only the highest and lowest prices of Units traded on a particular day. The "closing market price" shall be an amount equal to the closing price of the Units if there was a trade on the date and the exchange or market provides a closing price; an amount equal to the weighted average of the highest and lowest prices of the Units if there was trading and the exchange or other market provides only the highest and lowest prices of Units traded on a particular day; and the weighted average of the last bid and last asking prices of the Units if there was no trading on that date.

The aggregate Redemption Price payable by the Fund in respect of any Units tendered for redemption during any calendar month shall be satisfied by way of a cash payment no later than the last day of the calendar month following the month in which the Units were tendered for redemption, provided that the entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the limitations that:

- (a) the total amount payable by the Fund in respect of such Units and all other Units tendered for redemption in the same calendar month shall not exceed \$50,000, provided that the Trustees may, in their sole discretion, waive such limitation in respect of all Units tendered for redemption in any particular calendar month;
- (b) at the time such Units are tendered for redemption, the outstanding Units shall be listed for trading on a stock exchange or traded or quoted on another market which the Trustees consider, in their sole discretion, provides representative fair market value prices for the Units; and
- (c) the normal trading of outstanding Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which the Units are quoted for trading) on the Redemption Date or for more than five trading days during the ten-day trading period commencing immediately after the Redemption Date.

If a Unitholder is not entitled to receive cash upon the redemption of Units as a result of the foregoing limitations, then each Unit tendered for redemption shall, subject to any applicable regulatory approvals, be paid and satisfied by way of a distribution of a *pro rata* number of securities of TII held by the Fund.

It is anticipated that the redemption right described above will not be the primary mechanism for Unitholders to dispose of their Units. Securities of the Fund which may be distributed to Unitholders in connection with a redemption will not be listed on any stock exchange and no market is expected to develop in securities of the Fund and such securities may be subject to an indefinite "hold period" or other resale restrictions under applicable securities laws. Securities of the Fund so distributed may not be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans and for arrangements that are tax-free savings accounts, depending upon the circumstances at the time. See "*Certain Canadian Federal Income Tax Considerations*".

Limitation on Non-Resident Ownership

At no time may non-residents of Canada (within the meaning of the Tax Act) be the beneficial owners of more than 49% of the Units and the Trustees shall inform the transfer agent of the Units (the "**Transfer Agent**") of this restriction. At the request of the Fund, the Transfer Agent may require declarations as to the jurisdictions in which beneficial owners of Units are resident. If the Transfer Agent becomes aware, as a result of requiring such declarations as to beneficial ownership or otherwise, that the beneficial owners of 49% of the Units then outstanding are, or may be, non-residents or that such a situation is imminent, the Transfer Agent may make a public announcement thereof and shall not accept a subscription for Units from or issue or register a transfer of Units to a person unless the person provides a declaration that the person is not a non-resident.

If, notwithstanding the foregoing, the Trustees determine that more than 49% of the Units are held by non-residents, the Trustees may send a notice to non-resident Unitholders, chosen in inverse order to the order of acquisition or registration or in such manner as the Transfer Agent may consider equitable and practicable, requiring them to sell their Units or a portion thereof within a specified period of not more than 60 days. If the Unitholders receiving such notice have not sold the specified number of Units or provided the Trustees with satisfactory evidence that they are

not non-residents within such period, the Trustees may, on behalf of such Unitholders sell such Units and, in the interim, shall suspend the voting and distribution rights attached to such Units. Upon such sale, the affected holders shall cease to be Unitholders and their rights shall be limited to receiving the net proceeds of sale upon surrender of the certificates representing such Units. The Fund may direct the Transfer Agent to do any of the foregoing. No liability shall accrue to the Fund or the Trustees if the Units of a non-resident Unitholder are sold at a loss to such Unitholder.

RISK FACTORS

An investment in the Debentures and the Units underlying the Debentures is subject to a number of risks. Prior to making an investment in the Debentures, potential investors should carefully consider the risks described under the headings "Risks Relating to the Company's Business" and "Risks Inherent in an Investment of Units" in the AIF. These descriptions are not the only ones facing the Fund. Additional risks and uncertainties not presently known to the Fund, or that the Fund deems immaterial, may also impair the operations of the Fund and the value of its securities. If such risks actually occur, the business, financial condition, liquidity, and results of operations of the Fund could be materially adversely affected.

Recapitalization Transaction May Not Improve the Fund's Financial Condition

The Recapitalization Transaction may not improve the Fund's liquidity and operating flexibility or allow it to continue operating its business in the normal course for the 2010 fiscal year. Further deterioration in the Fund's consolidated revenues and relationships with suppliers, or the inability to manage costs and inventory and the inability to renegotiate the Credit Agreements when they become due in March 2010 would materially adversely affect the Fund's financial condition, liquidity and results of operations and the Fund may not be able to pay its debts as they become due.

As part of the Recapitalization Transaction, the Fund, through its affiliates, entered into the Credit Amendments pursuant to which the senior lenders of the Fund waived certain known events of default under the Credit Agreements. The waivers do not cover unknown or future events of default. There are no assurances that the Fund, through its affiliates will continue to be in compliance with the terms, conditions and covenants of the Credit Agreements and the Credit Amendments. A future breach of the terms, conditions and covenants of the Credit Agreements and Credit Amendments could materially adversely affect the Fund's financial condition, liquidity and results of operations.

Similarly, the inability of the Fund, through its affiliates, to meet its payment and other obligations under the Forbearance Agreements would have a materially adverse effect on the Fund's financial condition, liquidity and results of operations.

The occurrence of any of the events described above may affect the Fund's ability to operate as a going concern.

Subordination

In respect of the payment of principal and interest, the Debentures will (a) rank *pari passu* in right of payment, without discrimination, preference or priority, with all other debentures issued pursuant to the Trust Indenture (including pursuant to the Private Placement), and (b) be subordinate in right of payment to all Senior Indebtedness.

In the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings relative to the Fund, its property or its assets, or in the event of any proceedings for voluntary liquidation, dissolution or other winding-up of the Fund, whether or not involving insolvency or bankruptcy, or any marshalling of the assets and liabilities of the Fund, holders of Senior Indebtedness must receive payment in full before holders of Debentures are entitled to any payment. Following payment in full to holders of Senior Indebtedness, the Debentures will rank *pari passu* on the distribution of any remaining assets in satisfaction of any obligations owing on the Debentures. See "*Description of Debentures – Subordination*".

In addition, the senior lenders' first priority security interest on the assets of the Fund's material subsidiaries could mean that such assets will not be available to satisfy any obligations owing on the Debentures. As a result, in the event of a liquidation of the Fund and/or its material subsidiaries, it is possible that the holders of Debentures would not recover the full or any amount of their investment.

There are no restrictions under the terms of the Debentures on the ability of the Fund to incur additional secured or senior indebtedness in the future. In the event of a bankruptcy, liquidation or reorganization and in certain other events, the Fund's assets will be available to pay obligations on the Debentures only after all liabilities and the Fund's secured or senior indebtedness, have been repaid in full. After satisfying these obligations, the Fund may not have sufficient assets remaining to pay amounts due on any or all of the Debentures then outstanding. The Fund's incurrence of additional debt and other liabilities could adversely affect the Fund's ability to pay its obligations under the Debentures.

Additionally, pursuant to the Proceeds Sharing Agreement, the first \$6,000,000 of any net proceeds that are received by Valiant from the Fund or TII or Tree Island Wire, as guarantors, in respect of the amounts owing by the Fund under the Debentures, including the Private Placement Debentures, following an event of default that results in an acceleration of Debenture Liabilities under the Trust Indenture, will be divisible and payable 50% thereof to the Debenture holders and 50% thereof to Stemcor and C&F so long as the amounts paid to Stemcor and C&F represent amounts then due to them pursuant to the Forbearance Agreements and will not reduce the balance of Debenture Liabilities owing from the Fund to the Debenture holders.

Redemption Prior to Maturity

Except upon the occurrence of a Change of Control, the Debentures will not be redeemable on or before November 26, 2012. After such date and on or prior to the Maturity Date, the Debentures may be redeemed in cash, in whole or in part, from time to time at the option of the Fund on at least 30 days prior written notice, at a price equal to the principal amount plus all accrued and unpaid interest, provided that the weighted average trading price for the Units on the TSX for the 30 consecutive trading days ending on the date that is no more than 10 business days prior to the date on which notice of redemption is given is greater than 150% of the Conversion Price. Holders of Debentures should assume that the Fund will exercise this redemption option if the Fund is able to refinance at a lower interest rate or it is otherwise in the interests of the Fund to redeem the Debentures.

Payment of Principal and Interest on the Debentures

The Fund's ability to pay principal and interest on the Debentures when due will depend, in part, on the ability of the Recapitalization Transaction to improve the Fund's financial condition over the long-term. In the event that the financial condition of the Fund does not improve, or deteriorates following the closing of the Recapitalization Transaction, the Fund may not be able to pay principal and interest on the Debentures.

Additionally, the Intercreditor Agreement also provides that, if as a result of any accounting adjustments based on the annual audit of TII, either agent of the Fund's senior lenders determines, in its reasonable judgment, that a prior cash interest payment made by the Fund in respect of the Debentures would have been prohibited under the terms of the Intercreditor Agreement had such adjusted figures been in effect on the date of such interest payment, then holders of Debentures who received such payment must, within five days of receipt by the Debenture Trustee of notice of such determination, return the full amount of the interest payment to the Debenture Trustee. In such event, the returned payment may be paid by the Fund to holders of Debentures on any subsequent regularly scheduled quarterly interest payment date, provided that it is not prohibited from making such payment under the Intercreditor Agreement.

Restriction on Cash Interest Payments on the Debentures

Under the terms of the Intercreditor Agreement, the Fund is prohibited from making cash interest payments on the Debentures if: (i) an event of default exists under the debt documents related to its senior debt; (ii) the aggregate borrowing availability under the senior debt documents, after giving effect to a contemplated cash distribution, does not exceed \$5,500,000 on the date of such distribution or on an average daily basis for the 30 calendar day period immediately preceding such distribution; or (iii) the Fund has failed to deliver certain monthly compliance certificates under the senior debt documents.

Inability of the Fund to Purchase Debentures

The holders of the Debentures will have the right to require the Fund to repurchase their Debentures, in whole or in part, at a price equal to 110% of the principal amount of the Debentures, together with any accrued and unpaid

interest, upon the occurrence of a Change of Control. It is possible that following a Change of Control the Fund will not have sufficient funds to make the required repurchase of Debentures or that restrictions contained in other indebtedness will restrict those purchases. See "*Description of Debentures – Change of Control*".

Insiders May Control Votes

Following the completion of the Offering, and assuming that all of the Rights are exercised in full, Futura, Marret and Arbutus will own (after giving effect to the conversion of all of the Debentures and the Private Placement Debentures and the exercise of all of the Warrants) 16,239,400, 11,590,466 and 5,672,612 Units, respectively, representing approximately 24.4%, 17.4% and 8.5% of the outstanding Units, respectively, on a fully diluted basis. If the only Debentures issued under the Offering are pursuant to the Rights Offering Commitment (meaning no Unitholder other than the Investors exercise any Rights), then following completion of the Offering, Futura, Marret and Arbutus will own (after giving effect to the conversion of all of the Debentures and Private Placement Debentures and exercise of all of the Warrants), 16,239,400, 13,038,300 and 7,150,000 Units, respectively, representing approximately 30.6%, 24.6% and 13.5% of the outstanding Units, respectively, on a fully diluted basis. Accordingly, assuming the conversion in full of all Debentures and Private Placement Debentures and the exercise of all Warrants held by them, each of Futura, Marret and Arbutus may be in a position to materially impact control of the Fund. If the insiders were to act together, they may be in a position to either pass or block votes of holders of Debentures and Units. Investors should be aware that votes in respect of the Debentures and Units may be controlled by a small group of insiders.

Dilution

The Fund may issue Units in connection with the conversion of Debentures acquired pursuant to the exercise of Rights, as well as upon the conversion of Additional Debentures, if any, issued by the Fund from time to time to satisfy its obligation to pay interest on the Debentures. If a Unitholder does not exercise in full, or sells or otherwise transfers, its Rights, then, assuming conversion of some or all of the Debentures, such Unitholder's current percentage ownership in the Fund will be diluted as a result of the Offering, in addition to the dilution resulting from any conversion of the Private Placement Debentures and Warrants issued pursuant to the Private Placement.

Absence of Market for Rights and Debentures

There is currently no market through which the Rights or the Debentures may be sold, and purchasers of Debentures may not be able to resell Debentures acquired pursuant to the exercise of Rights or otherwise. Although the TSX has conditionally approved the listing of the Debentures, there can be no assurance that such securities will be listed or that an active trading market will develop for the Rights or the Debentures or, if developed, that such a market will be sustained. To the extent that an active trading market for the Rights or the Debentures does not develop, the pricing of the Rights or the Debentures in the secondary market, the transparency and availability of trading prices and the liquidity of the Rights or the Debentures will be adversely affected.

Investment Eligibility

There can be no assurance that the Rights, the Debentures and the Units will continue to be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans, registered disability savings plans and deferred profit sharing plans and for arrangements that are tax-free savings accounts. The Tax Act imposes penalties where trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans, registered disability savings plans and deferred profit sharing plans and arrangements that are tax-free savings plans acquire or hold nonqualified investments. See "*Certain Canadian Federal Income Tax Considerations - Eligibility for Investment*".

Interest Rate Risk

Prevailing interest rates will affect the market value (should a market develop) of the Debentures. The price or market value of the Debentures will decline as prevailing interest rates or interest rates on comparable securities rise.

PLAN OF DISTRIBUTION

Each Unitholder of record on the Record Date will receive one Right for each Unit held. This short form prospectus qualifies for distribution under applicable Canadian securities laws the Rights and the Debentures issuable on the exercise of the Rights and pursuant to the Rights Offering Commitment in each of the Provinces of Canada.

The Offered Securities have not been qualified under the securities laws of any jurisdiction other than the Eligible Jurisdictions. Except as described herein, Rights may not be exercised by or on behalf of an Ineligible Holder. This short form prospectus is not, and under no circumstances is to be construed as, an offering of any of the Offered Securities for sale in any Ineligible Jurisdiction or a solicitation therein or thereto of an offer to buy any securities. Rights Certificates will not be sent to any Unitholder with an address of record in an Ineligible Jurisdiction. Instead, such Ineligible Holders will be sent a letter advising them that their Rights Certificates will be held by the Subscription Agent, who will hold such Rights as agent for the benefit of all such Ineligible Holders. See "*Details of the Offering – Ineligible Holders*".

The Fund and certain of its subsidiaries have entered into an agreement with the Dealer Manager (the "**Dealer Manager Agreement**") pursuant to which the Dealer Manager has agreed to advise the Fund in connection with the Offering and, in the Dealer Manager's sole and absolute discretion, to organize and participate in the solicitation in the Provinces of Canada of the exercise of the Rights. The Fund has agreed to pay the Dealer Manager a fee of \$350,000, to reimburse certain of the Dealer Manager's expenses and, along with certain of the Fund's subsidiaries, to indemnify the Dealer Manager in certain circumstances.

The Dealer Manager may terminate its obligations under the Dealer Manager Agreement in certain limited circumstances. The Fund may complete the Offering notwithstanding any termination of the Dealer Manager Agreement. Pursuant to its engagement, the Dealer Manager shall not offer or sell the Rights in the United States without registration under the 1933 Act and applicable state securities laws except to certain accredited investors in transactions that comply with the exemption from registration set forth in Regulation D under the 1933 Act.

There is currently no market through which the Rights or the Debentures may be sold, and purchasers of Debentures may not be able to resell Debentures acquired pursuant to the exercise of Rights or otherwise. Although the TSX has conditionally approved the listing of the Debentures, there can be no assurance that such securities will be listed or that an active trading market will develop for the Rights or the Debentures or, if developed, that such a market will be sustained. To the extent that an active trading market for the Rights or the Debentures does not develop, the pricing of the Rights or the Debentures in the secondary market, the transparency and availability of trading prices and the liquidity of the Rights or the Debentures may be adversely affected.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Sangra Moller LLP ("**Counsel**"), the following summary, as of the date hereof, fairly describes the principal Canadian federal income tax considerations pursuant to the Tax Act generally applicable to a Unitholder who acquires Rights received under this Offering, Debentures received on the exercise of Rights and Units received on the conversion of Debentures and who at all relevant times, for purposes of the Tax Act, (a) is resident or deemed to be resident in Canada, (b) holds the Rights, Debentures received on the exercise of Rights and any Units issued on the conversion or maturity of the Debentures (collectively, the "**Securities**") as capital property and (c) deals at arm's length with the Fund and is not affiliated with the Fund (each, a "**Holder**"). Generally, the Securities will be considered to be capital property to a Holder provided that the Holder does not hold the Securities in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. A Holder who might not otherwise be considered to hold its Securities as capital property may, in certain circumstances, be entitled to make the irrevocable election permitted by subsection 39(4) of the Tax Act to have any Units and Debentures and every "Canadian security" (as defined in the Tax Act) owned by such Holder in the taxation year for which the election is made and in any subsequent taxation year deemed to be capital property. Such election is not available in respect of a Right. Any holder considering making such election should first consult its own tax advisor.

This summary is not applicable to a Holder of Securities (a) that is a "financial institution", as defined in the Tax Act for purposes of the mark-to-market rules, (b) an interest in which would be a "tax shelter investment" as defined in the Tax Act, (c) that is a "specified financial institution" as defined in the Tax Act, or (d) who has elected to report

its "Canadian tax results" (as defined in the Tax Act) in a currency other than Canadian dollars. Any such Holders should consult their own tax advisors with respect to an investment in the Securities.

This summary is based upon the facts set out in this short form prospectus, the provisions of the Tax Act and the regulations thereunder (the "**Regulations**") in force as of the date hereof and Counsel's understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency ("**CRA**"). Except for specifically proposed amendments to the Tax Act and the Regulations that have been publicly announced by the federal Minister of Finance prior to the date hereof (the "**Tax Proposals**"), this summary does not take into account or anticipate changes in the federal income tax law, whether by legislative, regulatory or judicial action, nor any changes in the administrative or assessing practices of the CRA. There can be no assurances that the Tax Proposals will be enacted in the form publicly announced or at all. This summary is not exhaustive of all of the Canadian federal income tax considerations nor does it take into account or anticipate any provincial, territorial or foreign tax considerations arising from the acquisition, ownership or disposition of Rights, Debentures or Units, which may differ significantly from those discussed herein. Except as otherwise indicated, this summary is based on the assumption that all transactions described herein occur at fair market value.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder of a Right, Debenture or Unit, and no representations concerning the tax consequences to any particular Holder or prospective Holder are made. Consequently, prospective Holders of Securities should consult their own tax advisors with respect to an investment in the Securities having regard to their particular circumstances.

Non-resident Holders of securities for purposes of the Tax Act should consult their own tax advisors regarding their particular circumstances.

Rights

Distribution of Rights

A Holder who receives a Right pursuant to this Offering will be required to include the fair market value of such Right at the time of receipt in computing the Holder's income for purposes of the Tax Act. The cost of the Right received for purposes of the Tax Act will equal such amount included in the Holder's income.

Disposition of Rights

A Holder who disposes of or is deemed to dispose of a Right (other than by exercise or expiry of the Right) will generally realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Right to the Holder. The cost of a Right acquired by a Holder will be averaged with the adjusted cost base of all other Rights held by that Holder as capital property for the purposes of determining the adjusted cost base to that Holder of each Right so held.

Exercise of Rights

The exercise of a Right will not be a disposition for purposes of the Tax Act, with the result that no gain or loss will be realized by a Holder upon the exercise of a Right. The adjusted cost base, if any, of the Right so exercised will be added in computing the cost of the Debenture acquired upon the exercise of the Right.

Expiry of Rights

Upon the expiry of an unexercised Right, the Holder will be deemed to have disposed of the Right for proceeds of disposition equal to nil, and accordingly such Holder will realize a capital loss to the extent of the adjusted cost base, if any, of the Right to the Holder immediately before its expiry.

Debentures

Interest on Debentures

A Holder of a Debenture that is a corporation, partnership, unit trust or any trust of which a corporation or a partnership is a beneficiary will be required to include in computing its income for a taxation year any interest on the Debenture that accrues to it to the end of the particular taxation year or that has become receivable by or is received by the Holder before the end of that taxation year, except to the extent that such interest was included in computing the Holder's income for a preceding taxation year.

Any other Holder will be required to include in computing income for a taxation year all interest on a Debenture that is received or receivable by the Holder in that taxation year (depending upon the method regularly followed by the Holder in computing income), except to the extent that the interest was included in the Holder's income for a preceding taxation year.

A Holder of a Debenture that throughout the relevant taxation year is a "Canadian-controlled private corporation", as defined in the Tax Act, may be liable to pay an additional refundable tax of 6 $\frac{2}{3}$ % on certain investment income, including interest.

Exercise of Conversion Privilege

A Holder of a Debenture who converts the Debenture into Units pursuant to the conversion privilege will be considered to have disposed of the Debenture for proceeds of disposition equal to the aggregate of the fair market value of the Units so acquired at the time of the conversion and the amount of any cash received in lieu of fractional Units. The Holder may realize a capital gain or capital loss as described below under "*— Other Dispositions of Debentures*".

The cost to the Holder of the Units so acquired will be equal to the fair market value of the Units at the time of the acquisition, which will generally be averaged with the adjusted cost base of all other Units held as capital property by the Holder for the purpose of calculating the adjusted cost base of such Units.

Redemption or Repayment of Debentures

If the Fund redeems a Debenture prior to the Maturity Date or repays a Debenture upon the Maturity Date and the Holder does not exercise the conversion privilege prior to such redemption or repayment, the Holder will be considered to have disposed of the Debenture for proceeds of disposition equal to the amount received by the Holder (other than the amount received or deemed to be received as interest) on such redemption or repayment. The Holder may realize a capital gain or capital loss as described below under "*— Other Dispositions of Debentures*".

Any amount paid by the Fund as a penalty or bonus because of early repayment of all or part of the principal amount of a Debenture (as could occur on a Change of Control) will be deemed to be interest received at that time by the Holder to the extent that such amount can reasonably be considered to relate to, and does not exceed the value at the time of the payment of, the interest that would have been paid or payable by the Fund on the Debenture for a period ending after the payment of such amount.

Other Dispositions of Debentures

A disposition or deemed disposition by a Holder of a Debenture will generally result in the holder realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition are greater (or less) than the aggregate of the Holder's adjusted cost base thereof and any reasonable costs of disposition. Any such capital gains or capital losses will be treated, for tax purposes, in the same manner as capital gains and capital losses arising from a disposition of Units which treatment is discussed below under "*— Units*".

Upon such a disposition or deemed disposition of a Debenture, the amount of any interest or deemed interest that has accrued on the Debenture to the date of disposition or deemed disposition that is not payable until after that time will be included in computing the Holder's income, except to the extent that such amount was otherwise included in the Holder's income for the year or a preceding taxation year, and will be excluded in computing the Holder's proceeds of disposition of the Debenture.

Units

Fund Distributions

Subject to the SIFT Rules (as described below under "*Application of SIFT Rules*"), a Holder of Units is required to include in computing income for a particular taxation year the portion of the net income of the Fund for the taxation year of the Fund ending in the particular taxation year end of the Holder, including net realized taxable capital gains, that is paid or becomes payable to the Holder in that taxation year of the Fund. Income of a Holder from the Units will generally be considered to be income from property. If appropriate designations are made by the Fund, such portion of the net taxable gains of the Fund and any taxable dividends received from taxable Canadian corporations as are paid or become payable to a Holder will effectively retain their character and be treated as such in the hands of the Holder. Any loss of the Fund cannot be allocated to or treated as a loss of a Holder.

Once the Fund becomes subject to the SIFT Rules (which is anticipated to be January 1, 2011, provided the Fund does not exceed "normal growth" before then, as described below under "*SIFT Rules*"), distributions of income from the Fund will generally be deemed to be received by the Holder as taxable dividends from a taxable Canadian corporation. Under the SIFT Rules, such dividends deemed to be paid by the Fund will be deemed to be "eligible dividends" and individual Holders would therefore benefit from the enhanced gross-up and dividend tax credit rules of the Tax Act. Corporations resident in Canada that receive such deemed dividends will generally be eligible for a deduction for the dividends received and potentially subject to a 33 $\frac{1}{3}$ % refundable tax under Part IV of the Tax Act.

Under the Fund's Declaration of Trust, income received by the Fund may be used to finance cash redemptions of Units. Further, it is possible that income received by the Fund will be used to repay the principal amount of any outstanding indebtedness. Accordingly, such income so utilized will not be payable to Holders of the Units by way of cash distributions. In such circumstances, such income may be payable to Holders of Units in the form of additional Units.

Units issued to a Holder in lieu of a cash distribution will have a cost equal to the fair market value of such units and will be averaged with the adjusted cost base of all other Units held by the Holder at that time as capital property in order to determine the adjusted cost base of each Unit.

Any amounts paid or payable by the Fund to a Holder in excess of the Holder's share of the income of the Fund and the non-taxable portion of capital gains made payable to the Holder in the year will generally not be included in the income of the Holder but will reduce the adjusted cost base of such Holder's Units. To the extent that the adjusted cost base of a Unit to a Holder would otherwise be less than nil, the negative amount will be deemed to be a capital gain of the Holder from the disposition of the Unit in the year in which the negative amount arises. The non-taxable portion of capital gains of the Fund that is paid or made payable to the Holder in a year will not be included in computing the Holder's income for the year and will not reduce the adjusted cost base of the Units to the Holder.

Disposition of Units

Generally, on the disposition or deemed disposition of Units by a Holder, whether on a redemption or otherwise, such Holder will generally realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition (excluding any amount payable by the Fund which represents an amount that must otherwise be included in the Holder's income as described above) exceed (or are less than) the aggregate of the adjusted cost base to the Holder of the Units so disposed of plus any reasonable costs associated with the disposition. One-half of any capital gain realized by a Holder on a disposition of a Unit will be included in the Holder's income under the Tax Act for the year of disposition as a taxable capital gain. One-half of any capital loss realized on a disposition of a Unit must be deducted against taxable capital gains realized by the Holder in the year of disposition, and may be deducted in the three preceding taxation years or in any subsequent taxation year, to the extent and under the circumstances described in the Tax Act.

Taxable capital gains realized by a Holder who is an individual may give rise to minimum tax depending on the Holder's circumstances. A Holder that throughout the relevant taxation year is a "Canadian-controlled private corporation" as defined in the Tax Act may be liable to pay an additional refundable tax of 6 $\frac{2}{3}$ % on certain investment income, including taxable capital gains.

Redemption of Units

A redemption of Units in consideration for cash or Shares ("**redemption shares**") and Notes ("**redemption notes**") of the Fund (collectively, "**redemption securities**"), as the case may be, will be a disposition of such Units for proceeds of disposition equal to the amount of such cash or the fair market value of such redemption securities, less any portion thereof that is considered to be a distribution out of the income of the Fund. A redeeming Holder will consequently realize a capital gain (or a capital loss) equal to the amount by which such proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base of the Units so redeemed and any reasonable costs associated with the redemption. The receipt of redemption securities in substitution for Units may result in a change in the income tax characterization of distributions. Holders of redemption securities generally will be required to include in income for a taxation year distributions paid or payable on the redemption shares and interest that is received or receivable in the taxation year, or that accrues to the end of the taxation year (depending on the status of the Holder as an individual, corporation or trust), on the redemption notes. The cost to a Holder of any property distributed to a Holder by the Fund will be deemed to be equal to the fair market value of such property at the time of distribution less, in the case of redemption securities, any distributions payable or accrued interest thereon, as the case may be. Holders should consult with their own tax advisors as to the consequences of receiving redemption securities on a redemption.

Status of the Fund

Mutual Fund Trust

Based upon representations made by the Fund, in the opinion of Counsel, the Fund qualifies as a "mutual fund trust" as defined by the Tax Act on the date hereof, and this summary assumes that the Fund will continue to so qualify. Counsel is advised by the Fund that it is intended that the requirements necessary for the Fund to qualify as a mutual fund trust will continue to be satisfied so that the Fund will continue to qualify as a mutual fund trust at all times throughout its existence. In the event that the Fund were not to so qualify, the income tax considerations would in some respects be materially different from those described herein.

SIFT Rules

On June 22, 2007, Bill C-52, an Act to implement certain provisions of the budget tabled on March 19, 2007, received Royal Assent. Bill C-52 included the SIFT Rules, which significantly changed the taxation of most publicly-traded trusts and partnerships, including income trusts such as the Fund, and distributions and allocations from these entities to their unitholders (the "**SIFT Rules**"). No assurance can be given that Canadian federal income tax law respecting the taxation of SIFT trusts (a "**SIFT Trust**") will not be further changed in a manner that adversely affects the Fund and its Unitholders.

The SIFT Rules apply a tax on certain income (other than taxable dividends) earned by a SIFT trust, and would treat the taxable distributions of such income received by unitholders of a SIFT trust as dividends from a taxable Canadian corporation. Pursuant to the SIFT Rules, the Fund will constitute a SIFT trust and, as a result, the Fund and its Unitholders will be subject to the SIFT Rules. Transitional relief is provided such that the SIFT Rules generally do not apply until the 2011 taxation year for income trusts, such as the Fund, that would have been SIFT trusts on October 31, 2006 had the definition been in force and applied to the Fund on that date. However, the SIFT Rules will apply commencing January 1st of a taxation year ending after 2006 if the SIFT trust does not comply in that taxation year with the normal growth guidelines released by the Department of Finance (Canada) on December 15, 2006 as amended from time to time (the "**Normal Growth Guidelines**"), unless the excess growth arose as a result of a prescribed transaction.

The Normal Growth Guidelines provide guidance as to how much a SIFT trust can grow without jeopardizing its transitional relief. The Normal Growth Guidelines indicate that the deferral until 2011 will not be rescinded in respect of a SIFT trust whose equity capital grows as a result of issuances of new equity (or equity-like securities) before 2011 by an amount that does not exceed the greater of \$50 million and an objective "safe harbour" amount that is based on a percentage of the SIFT trust's market capitalization on October 31, 2006. Market capitalization, for these purposes, is to be measured in terms of the value of the SIFT trust's issued and outstanding publicly-traded units. The Normal Growth Guidelines provide that a SIFT trust's "safe harbour" will be 40% of the October 31, 2006 market capitalization for the period from November 1, 2006 until the end of 2007 and will be 20% of that benchmark in each of 2008, 2009 and 2010. These safe harbour growth limits are cumulative such that any unused

limit for a given period is carried over to the next period until the end of 2010 (while the \$50 million annual growth limit for each period is not cumulative). For these purposes, new equity will generally include units, debt that is convertible into units and potentially other substitutes for such equity, but will generally not include new non-convertible debt or units that are issued on the exercise by a holder of exchange rights (applicable to exchangeable securities) that were in place on October 31, 2006.

On December 4, 2008, the Department of Finance (Canada) announced changes to the Normal Growth Guidelines to allow a SIFT trust to accelerate the utilization of the SIFT trust's annual "safe harbour" amount for each of 2009 and 2010 so that the "safe harbour" amount is available on and after December 4, 2008. This change does not alter the maximum permitted equity growth threshold for a SIFT trust, but it allows a SIFT trust to use its normal growth room remaining as of December 4, 2008 in a single year, rather than staging a portion of the normal growth room over the 2009 and 2010 taxation years.

Management has advised counsel that the total amount of the Offering, all previous equity issuances and all currently contemplated issuances, determined in accordance with the Normal Growth Guidelines, should not cause the Fund to exceed its permitted "normal growth" threshold, as described above. It is assumed, for the purposes of this summary, that the Fund currently will not be subject to the SIFT Rules. However, in the event that the Fund issues additional Units or convertible debentures (or other equity substitutes) before 2011, the Fund may become subject to the SIFT Rules prior to its 2011 taxation year. No assurance can be given that the SIFT Rules will not apply to the Fund prior to its 2011 taxation year.

Taxation of the Fund

The Fund generally is required to include in its income for each taxation year all net taxable capital gains realized by it in the year, all dividends received by it in the year and all interest that accrues to it to the end of the year. In computing its income, the Fund may deduct in respect of each taxation year an amount not exceeding 20% of the total issue expenses of the Offering and other offerings of its Units or debt obligations (subject to proration for a short taxation year) to the extent that those expenses were not otherwise deductible in a preceding taxation year, and may also deduct reasonable management and administration fees incurred by it in the taxation year for the purpose of earning income.

A distribution of the redemption securities by the Fund to a Unitholder upon a redemption of Units will give rise to dispositions of the redemption securities by the Fund. Such dispositions will result in a capital gain (or a capital loss) to the Fund to the extent that the proceeds of disposition are greater (or less) than the cost amount to the Fund of such redemption securities and any reasonable costs of disposition. Capital gains and income of the Fund attributable to such an in specie distribution will be designated in respect of, and made payable to, the redeeming Unitholder, with the result that the taxable portion of such gains and income should generally be included in computing the income of the redeeming Unitholder and deductible by the Fund in computing its income.

Subject to the SIFT Rules (which are described below under "*Application of SIFT Rules*"), to the extent that the Fund has any income for a taxation year after the inclusions and deductions outlined above, the Fund will be permitted to deduct all amounts of income which are paid or become payable by it to Unitholders in the taxation year. An amount will be considered to have become payable to a Unitholder in a taxation year only if it is paid in the year by the Fund or the Unitholder is entitled in the year to enforce payment of the amount. Counsel is advised that the Fund intends to deduct, in computing its income, the full amount available for deduction in each year to the extent of its taxable income for the year otherwise determined. As a result of such deductions from income, it is expected that the Fund will not be liable for any material amount of tax under the Tax Act, however no assurances can be given in this regard.

Application of SIFT Rules

Once the Fund becomes subject to the SIFT Rules (which is anticipated to be January 1, 2011, provided the Fund does not exceed "normal growth" before then, as described above under "*SIFT Rules*"), the Fund will no longer be able to deduct any part of the amounts payable to Unitholders in respect of the Fund's "non-portfolio earnings" within the meaning of the Tax Act.

In general, "non-portfolio earnings" of a SIFT Trust for a taxation year include: (i) income (other than taxable dividends) from businesses it carries on in Canada or from its non-portfolio properties (exceeding any losses for the

taxation year from businesses it carried on in Canada or non-portfolio properties), and (ii) taxable capital gains from its dispositions of non-portfolio properties (exceeding its allowable capital losses from the disposition of such properties). For these purposes, "non-portfolio property" includes: (i) Canadian real, immovable or resource properties if the total fair market value of such properties held by the SIFT Trust is greater than 50% of the "equity value" (within the meaning of the Tax Act) of the SIFT trust itself; (ii) a property that the SIFT trust (or a non-arm's length person or partnership) uses in the course of carrying on a business in Canada; and (iii) a security of a "subject entity" (other than a "portfolio investment entity") if the SIFT trust holds securities of the subject entity that have a total fair market value that is greater than 10% of the subject entity's equity value or if the SIFT Trust holds securities of the subject entity, have a total fair market value that is greater than 50% of the SIFT Trust's equity value. A "subject entity" includes a corporation resident in Canada, a trust resident in Canada, and a "Canadian resident partnership" (as defined in the Tax Act) and a "portfolio investment entity" is an entity that does not hold any non-portfolio property. It is expected that the investments by the Fund in its material subsidiaries will be "non-portfolio properties" for this purpose.

Once the Fund becomes subject to the SIFT Rules (which is assumed to be, subject to compliance with the Normal Growth Guidelines, no earlier than 2011), the Fund will no longer be able to deduct any part of the amounts payable to Unitholders in respect of its "non-portfolio earnings", as defined in the Tax Act. Income which the Fund is unable to deduct pursuant to the SIFT Rules will be taxed in the Fund at a rate substantially equivalent to the combined federal and provincial corporate tax rate. The SIFT Rules do not change the tax treatment of distributions that are paid as returns of capital.

Eligibility for Investment

Provided that the Rights and the Units are listed on a designated stock exchange as defined in the Tax Act (which includes the TSX), the Rights, the Debentures and the Units issuable pursuant to the conversion of the Debentures would, if issued on the date hereof, be qualified investments under the Tax Act and the Regulations for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans, registered disability savings plans and deferred profit sharing plans (other than deferred profit sharing plans to which payments are made by the Fund or an employer with which the Fund does not deal at arm's length) and for arrangements that are tax-free savings accounts ("TFSA"), all within the meaning of the Tax Act, provided that, in the case of the Rights, the Fund is not a connected person, as defined in the Tax Act, to the relevant plan or account.

Notwithstanding that the Rights, the Debentures and the Units issuable pursuant to the conversion of the Debentures may be qualified investments for a trust governed by a TFSA, the holder of a TFSA will be subject to a penalty tax on the Rights, the Debentures or Units issuable pursuant to the conversion of the Debentures if such Rights, Debentures or Units issuable pursuant to the conversion of the Debentures, as the case may be, are a "prohibited investment" for the TFSA. Rights, Debentures or Units issuable pursuant to the conversion of the Debentures will generally be a "prohibited investment" if the holder of a TFSA does not deal at arm's length with the Fund for purposes of the Tax Act or the holder of the TFSA has a "significant interest" (within the meaning of the Tax Act) in the Fund or a corporation, partnership or trust with which the Fund does not deal at arm's length for purposes of the Tax Act.

LEGAL MATTERS

Certain legal matters relating to the Offering and to the Rights to be distributed pursuant to this short form prospectus will be passed upon on behalf of the Fund by Sangra Moller LLP, as counsel to the Fund, and on behalf of the Dealer Manager by Stikeman Elliott LLP. As of the date of this short form prospectus, the partners and associates of each of Sangra Moller LLP and Stikeman Elliott LLP beneficially own, directly or indirectly, less than 1% of the outstanding Units of the Fund.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Fund are Ernst & Young LLP, Chartered Accountants. Ernst & Young LLP has prepared the audit report attached to the audited consolidated financial statements for the year ended December 31, 2008.

The registrar and transfer agent for the Units is Computershare Investor Services Inc. at its offices in Vancouver, British Columbia and the Subscription Agent for the Rights is Valiant Trust Company, at its offices in Vancouver, British Columbia and Calgary, Alberta.

PURCHASERS' RIGHTS

Securities legislation in certain of the Provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the Provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's Province. You should refer to any applicable provisions of the securities legislation of your Province for the particulars of these rights or consult with a legal advisor.

Further, holders of Rights who exercise their Basic Subscription right and/or Additional Subscription Privilege and receive Debentures (including Additional Debentures, as applicable) will have a contractual right of rescission against the Fund, following the issuance of the underlying Units upon conversion of the Debentures, to receive the amount paid for the Debentures (including Additional Debentures, as applicable) in the event that this short form prospectus and any amendment thereto contains a misrepresentation or is not delivered to such holder, provided that such rescission is exercised within 180 days of the date of issuance of the Debentures (including Additional Debentures, as applicable).

AUDITORS' CONSENT

We have read the short form prospectus of Tree Island Wire Income Fund (the "Fund") dated December 17, 2009 relating to the offering to the Fund's unitholders of rights to subscribe for up to an aggregate \$10,000,000 of 10% second lien convertible debentures of the Fund. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned short form prospectus of our report to the unitholders of the Fund on the consolidated balance sheets of the Fund as at December 31, 2008 and 2007 and the consolidated statements of operations, comprehensive income, unitholders' equity and cash flows for each of the years in the two year period ended December 31, 2008. Our report is dated March 27, 2009.

Vancouver, Canada
December 17, 2009

(signed) "*Ernst & Young LLP*"
Chartered Accountants

CERTIFICATE OF THE FUND AND THE CREDIT SUPPORTERS

December 17, 2009

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada.

TREE ISLAND WIRE INCOME FUND

(Signed) "*Theodore Leja*"
Chief Executive Officer

(Signed) "*Brian Irving*"
Chief Financial Officer

On behalf of the Board of Trustees

(Signed) "*Michael Fitch*"
Trustee

(Signed) "*Sam Fleiser*"
Trustee

TREE ISLAND INDUSTRIES LTD.

(Signed) "*Theodore Leja*"
Chief Executive Officer

(Signed) "*Brian Irving*"
Chief Financial Officer

On behalf of the Board of Directors

(Signed) "*Michael Fitch*"
Director

(Signed) "*Sam Fleiser*"
Director

TREE ISLAND WIRE (USA) HOLDINGS, INC.

(Signed) "*Theodore Leja*"
Chief Executive Officer and Director

(Signed) "*Brian Irving*"
Chief Financial Officer and Director

On behalf of the Board of Directors

(Signed) "*Amar Doman*"
Director

TREE ISLAND WIRE (USA), INC.

(Signed) "*Theodore Leja*"
Chief Executive Officer and Director

(Signed) "*Brian Irving*"
Chief Financial Officer and Director

On behalf of the Board of Directors

(Signed) "*Amar Doman*"
Director

CERTIFICATE OF THE DEALER MANAGER

December 17, 2009

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada.

GENUITY CAPITAL MARKETS

By: (Signed) "*James Merkur*"