



KNOWLEDGE BASED VALUE FOCUSED CLAIRVEST GROUP INC.

Annual Report 2001

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# CLAIRVEST IN THE COMMUNITY

**CLAIRVEST BELIEVES IT IS IMPORTANT TO CONTRIBUTE TIME AND ENERGY TO THE COMMUNITIES IN WHICH WE LIVE AND WORK.**

Art Gallery of Ontario · Baycrest Centre Foundation · Baycrest Centre for Geriatric Care · Canadian Business Hall of Fame Foundation · Canadian Friends of the Hebrew University · Canadian Friends of the Israel Museum · Canadian Institute of Health Research · Canadian Institute of International Affairs · Canadian Merit Scholarship Foundation · Canadian Opera Company · Canadian Opera House Corporation · Canadian Technion Society · C.D. Howe Institute · Canadian Council of Christians and Jews · The Canadian Ditchley Foundation · The Canadian Society for the Weizman Institute of Science · The Council for Canadian Unity · Hebrew University of Jerusalem · MARS (Medical and Related Sciences Discovery District) · Mount Sinai Hospital · National Terry Fox Run · North York General Hospital · Ontario Genomics Institute · Raymond F. Kravis Center for the Performing Arts · Terry Fox Humanitarian Award Program · Toronto Symphony Orchestra · United Jewish Appeal of Metropolitan Toronto · University Health Network · University of Toronto · University of Toronto Asset Management Corporation · University of Toronto School of Management's Dean's Advisory Council · University of Toronto Centre of Research in Neurodegenerative Diseases · University of Toronto Department of Metallurgy & Materials Science Advisory Board

This report contains forward-looking statements with respect to Clairvest Group Inc., its subsidiaries and their investments. These statements involve risks and uncertainties that could cause actual results to differ materially from those contemplated. These risks and uncertainties include interest rates, currency fluctuations, changes in security prices, market conditions, competitor behaviour, prices of raw materials, general economic and other risks detailed from time to time in the publicly filed disclosure documents.

# CLAIRVEST'S INVESTMENT PRINCIPLES

Knowledge based – Value focused

## **INVEST IN WHAT YOU KNOW.**

We invest in industries we understand. This understanding comes from proprietary, domain research.

We look for industries that have:

- Significant potential for consolidation.
- Cost-based economies of scale.
- A pattern of recurring revenue.
- The potential to deliver high returns on invested capital.

## **INVEST IN COMPANIES WITH COMMITTED AND SUCCESSFUL MANAGEMENT.**

We focus on companies within these industry sectors that have:

- Management with a successful track record and significant capital at risk. This serves to align the interests of all parties.
- A proven economic model.
- A business model that clearly demonstrates how money can be made from within the business.
- A business strategy that promotes teamwork and high returns on invested capital produced from a sustainable advantage or market position.

## **USE KNOWLEDGE TO ADD VALUE AT EVERY OPPORTUNITY.**

Clairvest utilizes the collective experience of its Board of Directors, and the entire management team, to assist its investment partners in the development and growth of their businesses. We look for economies of scale and economies of skill.

## **VALUE CREATION IS FUNDAMENTAL.**

We do not make investments and then look to the capital markets to produce success. Value must be created within the company. When we can say with confidence, "We're happy to own this investment through the entire business cycle," we know we've found the right industry, the right company and the right management team.

SUCCESS COMES FROM KNOWING WHERE YOU  
WANT TO BE – BEFORE YOU GET THERE.

# CLAIRVEST EQUITY PARTNERS (CEP)

To accelerate growth required  
a new capital strategy.

## **WE'RE CHANGING.**

The launch of Clairvest Equity Partners Limited Partnership (CEP) moves Clairvest Group Inc. from a merchant bank that invests its own capital to generate returns, to one that invests alongside third-party investors who want access to Clairvest's proven investment expertise and consistently strong results.

## **WE'RE GROWING.**

Six years ago Clairvest launched an investment strategy that has more than doubled the company's capital base. That strategy was recently validated by our ability to go to the market and raise an additional \$109 million. With the addition of this new capital and our ongoing relationship with CEP, we can accelerate the growth of our book value and deliver additional shareholder value.

## **WE'RE EXPANDING.**

In addition to earning returns through its direct investing, Clairvest will receive a management fee from CEP and will receive a share of CEP's profits above pre-determined target levels. This will increase Clairvest's ROE while reducing our net expenses.

### **Clairvest Equity Partners is positioned to:**

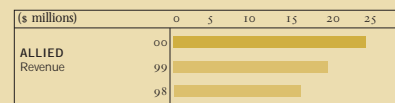
- Target private equity investments between \$10 and \$30 million in companies with enterprise value between \$30 and \$500 million.
- Be Clairvest's exclusive vehicle for long-term private equity investments.
- Target a gross IRR in excess of 25% on all invested capital.

# OUR PERFORMANCE

A diversified portfolio for all phases of the business cycle.

## ALLIED GLOBAL HOLDINGS INC.

This is the first joint investment by Clairvest and Clairvest Equity Partners. Clairvest and CEP purchased a combined \$7 million of 10% convertible preferred shares.



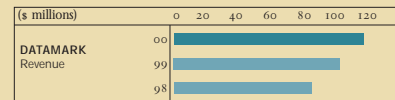
## CONSOLIDATED VENDORS CORPORATION

The company completed major upgrades to internal systems, integrated previous acquisitions, expanded the management team and is well positioned for more acquisitions.



## DATAMARK SYSTEMS GROUP INC.

In 2000 Datamark acquired its main competitor in the airline ticketing business to achieve a dominant North American market position. 2001 is expected to be a record year.



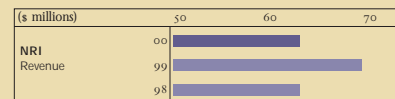
## GATEWAY CASINOS INC.

The growth in revenue and profitability of this company reflects the increasing popularity of gaming in Western Canada and the relative fixed cost nature of casino operations.



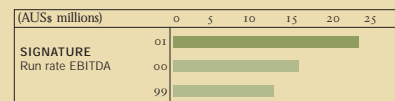
## NRI INDUSTRIES INC.

Completed installation of new processes to increase capacity and lower costs. Given the softness of the sector, revenue was down 7.7% from the previous year.



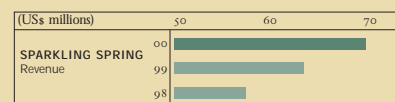
## SIGNATURE SECURITY GROUP HOLDINGS PTY. LIMITED

Signature continued to streamline operations as management is completing an operational and financial restructuring focused on rationalization and cost controls.



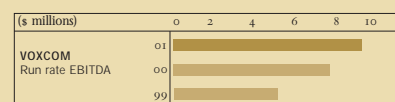
## SPARKLING SPRING WATER HOLDINGS LIMITED

Expenditures in marketing are paying off as growth is well ahead of the previous year. Adverse foreign exchange rates and higher gasoline prices impacted performance.



## VOXCOM INCORPORATED

In 2000, Voxcom completed operational and financial restructuring that should position Voxcom for significant future growth.





IT'S ALL ABOUT KNOWING  
WE'VE FOUND THE RIGHT INDUSTRY

# EXECUTIVE CHAIRMAN'S MESSAGE

## To the Shareholders of Clairvest Group Inc.:

Fiscal 2001 was a year when we all experienced challenging markets. It was a period in which Clairvest launched an exciting new investment initiative and saw significant growth in the value of many of our portfolio holdings and setbacks in others.

The launch of Clairvest Equity Partners Limited Partnership (CEP) is an important event as it signals an acceleration of our dedication to growing the value of this company. Through CEP we can now offer institutional investors the opportunity to invest alongside Clairvest and gain access to our unique private equity investment strategy. Revenues generated through management fees and a share of CEP's profits will flow to Clairvest, raising our return on equity and accelerating the growth of our book value. It will also allow Clairvest to significantly increase the scope of its investing activities and thereby broaden the exposure for our shareholders.

I am very pleased with the direction Clairvest has embarked upon and the leadership displayed by our Co-CEO's, Jeff Parr and Ken Rotman. They and the entire management team are to be commended for their efforts in not only working to raise CEP, but in keeping a steady hand on our investment portfolio as we navigated turbulent equity and debt markets.

While we are affected by the markets, we don't make investments based on what the market is doing. We look for value... long-term value, and before committing to an investment, we satisfy ourselves that we'll be happy to own that investment through the entire market cycle.

I would like to express my personal gratitude to all members of the Clairvest Board of Directors. Your willingness to share your collective knowledge and experience is allowing our investment partners to grow their businesses while providing Clairvest with a very deep pool of wisdom. For your time and energy, thank you.

At Clairvest we use our collective knowledge base to grow value. While we are always on the lookout for businesses that contain economies of scale and can benefit from consolidation, we are also focused on economies of skill. Leveraging the collective knowledge of our people and the people we invest in is central to our proven investment approach. It has served us well and will continue to deliver strong performance and shareholder value in the years to come.



**JOE ROTMAN**

Executive Chairman

June 30, 2001

## CO-CHIEF EXECUTIVE OFFICERS' MESSAGE

A year of decisive action, patience and new opportunity.

2001 REVEALED STRENGTHS AND WEAKNESSES WITH GREAT CLARITY AND SWIFTNESS. IT WAS VALIDATION THAT CLAIRVEST'S INVESTMENT PRINCIPLES AND STRATEGY ARE SOUND.

### A NEW DIRECTION.

We launched two investment vehicles that will serve to leverage our experience and that of our new partners.

Clairvest Equity Partners Limited Partnership (CEP) will allow Clairvest to continue to invest our own capital in a proven strategy and grow more rapidly with the additional capital through the limited partnership. CEP adds at least \$109 million of capital that we will put to work in our core business of investing in companies with demonstrated strong internal economics, track records of success and proven management.

Clairvest-Yorkton Transition Capital Fund is our initial foray into bridge capital investing. We are starting small and with a partner that has a proven track record in the capital markets and the technology arena. It's an area of investing where there is no substitute for knowledge and market experience.

The future for Clairvest is to continue to build negotiated capital funds using our own, and our partners', capital. Our roots are in private equity, and that will remain our core business. We intend to build on this core competency by adding other products such as the bridge fund. The result, we believe, will be a company with a greatly improved return on equity and accelerated growth in book value. This will allow us to reward our shareholders who have been patient with Clairvest's disappointing share price performance.

### DEALING WITH THE PAST.

Last year was also a time when we dealt with the results of some mistakes. We wrote down almost our entire investment (\$10 million) in Vitamins.com – a company that was acquired by HealthCentral.com. Simply put, the nature of the investment changed in midstream and we became involved in a company that strayed outside our core investment principles.

While we could have denied the company the right to alter its strategy, we felt that the new direction held promise. We were wrong. Vitamins.com did have solid management with substantial equity in the business and a good track record of managing successful businesses, but the company did not have a “proven” economic model. As the .com bubble burst, and capital dried up, the business could not be sustained. This investment has reinforced that when we stick to all our core investing principles, our returns and rate of success improve dramatically. We’ve learned that we must stay the course.

#### A YEAR OF MIXED RESULTS.

Significant success in the growth in the value of our investments in Sparkling Spring, Datamark and Gateway Casinos – only some of which was reflected in our 2001 financial results – was overshadowed by the HealthCentral.com experience and restructurings at our two electronic security investments. Overall, our financial results for the year were unacceptable. However, our largest partner companies are now positioned to continue to build in their respective industries from positions of strength.

#### THE FUTURE.

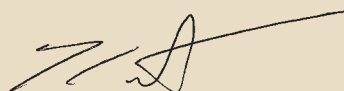
We believe that Clairvest will continue to deliver above-market returns regardless of the phase of the business cycle. If this year has proven anything, it is that our investment approach works. Where we have remained true to our principles, the strength of our investments and our partners have allowed us to weather the current economic storm. Clairvest’s portfolio is well diversified, is positioned to perform as the economy strengthens and, with the addition of CEP, we expect the growth in book value to accelerate in the near future.

We would like to thank our Board of Directors and our colleagues for their dedicated efforts and knowledgeable contributions. Our success, as part of a highly motivated team of investment professionals, is a shared success as we work to build sustainable shareholder value.



**JEFF PARR**

Co-Chief Executive Officer and Managing Director  
June 30, 2001



**KEN ROTMAN**

Co-Chief Executive Officer and Managing Director  
June 30, 2001

03

AT THE RIGHT TIME

# CLAIRVEST EQUITY PARTNERS (CEP)

## A new engine of growth for Clairvest and our partners.

### THE PARTNERSHIP.

Clairvest Equity Partners Limited Partnership (CEP) has been created to co-invest with Clairvest in a diversified portfolio of investments. Generally, each investment will be between \$10 and \$30 million where Clairvest will co-invest with the limited partnership according to its pro-rata commitment.

### THE ACTIVITY.

Clairvest raised a total of \$109 million as of June 30, 2001, from outside investors. CEP and Clairvest have concluded their first joint investment (April 2001) with a \$7 million investment in Allied Global Holdings Inc.

### THE MANAGEMENT.

Clairvest's management team, which has been directing the investment activity of Clairvest since 1994, will manage CEP. Clairvest's management team receives incentives based on creating realized gains. Clairvest's Board of Directors will approve all investments in excess of \$5 million and divestitures in excess of \$15 million. Collectively, all members of the Clairvest management team and Board own over 70% of Clairvest. Collectively, our interests are aligned with our shareholders'.

### THE KNOWLEDGE.

There is no substitute for knowledge and experience. The management team is led by Co-CEOs Jeff Parr and Ken Rotman. They have worked together for over six years.

Supporting this team and approving all CEP and Clairvest investments is the Clairvest Board of Directors. The Board comprises, in addition to Jeff Parr and Ken Rotman, ten of Canada's premier business builders and leaders: **Joe Rotman** – Founder of Clairvest; Founder, Tarragon Oil; One of the founders, Barrick Gold • **Tom Beck** – Co-founder, Noma Industries • **Michael Bregman** – Principal, XDL Interwest Capital Corp: Chairman, Second Cup • **Syd Cooper** – Former CEO, Pitts Engineering Construction • **Eph Diamond** – Co-founder, Cadillac Fairview • **Jerry Heffernan** – Co-founder, Co-Steel; Chairman, Texas Industries Inc. • **Joe Heffernan** – Chairman, Rothmans Inc. • **Philip Orsino** – CEO and President, Premdor Inc. • **Lionel Schipper** – Former Chairman, Toronto Sun • **Issy Sharp** – Founder, Chairman and CEO, Four Seasons Hotels.

### THE INVESTMENT APPROACH.

We select industries or industry segments that offer the opportunity to create value through a roll-up (consolidation), roll-out (growth) or value investment strategy. Targeted industries are extensively researched and individual companies are targeted for investment. Clairvest has assisted its investment partners to complete 147 acquisitions, raise \$951 million in debt capital and \$293 million in third-party equity.

### THE FUTURE.

Clairvest will benefit from CEP as a result of receiving a management fee and a share of CEP's profits above pre-determined levels. This will, we believe, accelerate growth in Clairvest's shareholder value.



GETTING BEHIND THE RIGHT  
MANAGEMENT TEAM

## THE CLAIRVEST TEAM

The true value of knowledge is that it is greater than the sum of its parts.

### **TOM BECK** C.M., O.ONT – ADVISOR AND DIRECTOR

Founded and built Noma Industries into a \$600 million a year company. Sits on the Board of Datamark.

### **MICHAEL BREGMAN** – ADVISOR AND DIRECTOR

Principal of venture capital fund, XDL Invest Capital Corp. and Chairman of The Second Cup Ltd. He is a Director of several corporations and is actively involved in community organizations. Sits on Clairvest's Audit Committee and on the Board of Allied.

### **SYD COOPER** P.ENG. – ADVISOR AND DIRECTOR

Built Pitts Engineering Construction into one of Canada's leading infrastructure construction companies. Sits on Clairvest's Audit Committee and on the Board of Datamark.

### **EPH DIAMOND** O.C., P.ENG. – ADVISOR AND DIRECTOR

The driving force in building Cadillac Fairview into one of North America's leading real estate developers. Sits on Clairvest's Compensation and Human Resources Committee.

### **JERRY HEFFERNAN** O.C., P.ENG. – ADVISOR AND DIRECTOR

Chairman of Texas Industries Inc. Founded and built six international steel companies including Co-Steel. Chairs Clairvest's Compensation and Human Resources Committee and sits as Chairman of NRI.

### **JOE HEFFERNAN** P.ENG. – ADVISOR AND DIRECTOR

Chairman of Rothmans Inc. and former Deputy CEO of Rothmans International. Sits on the Board of Sparkling Spring.

### **PHILIP ORSINO** F.C.A. – ADVISOR AND DIRECTOR

As President and CEO of Premdor Inc., built the company into a major international door manufacturer with annual revenues in excess of \$2 billion. Chairs Clairvest's Audit Committee and served on the Board of Voxcom.

### **JOE ROTMAN** O.C. – EXECUTIVE CHAIRMAN, ADVISOR AND DIRECTOR

Founded and built numerous independent oil exploration companies including Tarragon Oil and Gas and is one of the original shareholders of Barrick Gold. Founded Clairvest in 1987. Sits on the Board of NRI.

### **LIONEL SCHIPPER** C.M., Q.C. – ADVISOR AND DIRECTOR

Past Chairman of Toronto Sun Publishing and former partner at Goodman, Phillips & Vineberg. Sits on the Board of NRI.

### **ISSY SHARP** O.C. – ADVISOR AND DIRECTOR

Founded and built Four Seasons Hotels into one of the world's finest quality hotel chains. *Financial Post* named Mr. Sharp CEO of the Year in 1992. Sits on Clairvest's Compensation and Human Resources Committee.

#### **HEATHER CRAWFORD – IN-HOUSE COUNSEL**

Former corporate lawyer with Torys. Received LL.M. from Cambridge and LL.B. from Osgoode Hall Law School. Manages Clairvest's outside counsel and public company compliance. Assists with all partner relationships.

#### **DENNIS DUSSIN – ASSOCIATE**

Former consultant for the McKenna Group and investment banker with BMO Nesbitt Burns. Has his CFA and MBA from Richard Ivey School of Business, University of Western Ontario.

#### **JOHN FISHER – PRINCIPAL**

Former corporate finance associate at Coopers & Lybrand and ScotiaMcLeod. Graduated with an MBA from J.L. Kellogg Graduate School of Management. Has his CFA, CBV and CA. Led vending industry initiative resulting in the investment in Consolidated Vendors and accounts receivable initiative resulting in the investment in Allied. Sits on the boards of Datamark, Consolidated Vendors and Allied.

#### **ALINA LOPEZ – ASSOCIATE**

Has experience working in financial services at Citibank (Lima, Peru). Has an MBA from Joseph L. Rotman School of Management, University of Toronto.

#### **JEFF PARR – DIRECTOR, CO-CEO AND MANAGING DIRECTOR**

Former partner at Canadian Mezzanine Investments Inc. and manager of Merchant Banking at National Bank of Canada. Is a qualified CA. Provides leadership in Clairvest's development and sits on the boards of Datamark, Consolidated Vendors, Gateway Casinos and Signature.

#### **LANA REIKEN – VICE-PRESIDENT FINANCE AND CORPORATE SECRETARY**

Former Audit Manager at Ernst and Young LLP. Has her CA and MBA. Manages Clairvest's financial and public company reporting; responsible for tax planning and structuring, and manages Clairvest's treasury operations.

#### **KEN ROTMAN – DIRECTOR, CO-CEO AND MANAGING DIRECTOR**

Former merchant banker at Warburg Pincus. Has his MBA from New York University and MSc. from London School of Economics. Provides strategic leadership for Clairvest and sits on the boards of NRI, Sparkling Spring, Signature and Voxcom.

#### **MICHAEL WAGMAN – VICE-PRESIDENT**

Former merchant banker at BMO Nesbitt Burns Equity Partners and investment banking analyst at Nesbitt Burns. Has his HBA from University of Western Ontario. Sources and analyzes new investment opportunities. Sits on the boards of Signature and Gateway Casinos.



AND THE RIGHT COMPANIES

ALLIED GLOBAL HOLDINGS INC.



WHILE PRODUCING VALUE THAT LASTS

# ALLIED GLOBAL HOLDINGS INC.

Industry growth at 10% per annum and accelerating.  
Allied revenue up 36%.

## OUR BUSINESS.

Allied is a leading international accounts receivable management company with operations in Canada, the United Kingdom and the United States. Allied provides collection services to over 500 credit grantors and is well positioned to achieve sustainable growth through internal sales efforts and strategic acquisitions.

## OUR PERFORMANCE.

Last year, Allied grew its revenue from \$18.3 million to \$24.8 million, an increase of 36% and EBITDA from \$2.0 million to \$4.1 million, an increase of 105%<sup>1</sup>. Over the past five years revenues and EBITDA have grown at a compound annual growth rate of 25% and 38%, respectively.

Clairvest and CEP made their initial investment in Allied, in April of 2001, through the purchase of \$7 million of 10% convertible preferred shares for a 22.6% fully diluted ownership interest. This investment represents the first joint investment by Clairvest and CEP.

## FINANCIAL PERFORMANCE<sup>1</sup> (\$ millions)

Year ended December 31	1998	1999	2000
Revenue	16.5	18.3	24.8
EBITDA (pre-distribution)	1.8	2.0	4.1
Net debt			0.1

<sup>1</sup> All figures prior to CEP/Clairvest investment

## INVESTMENT IN PREFERRED SHARES (\$ millions)

	April 2001
Clairvest	2.2
CEP	4.8
	7.0

## OWNERSHIP (fully diluted)

Clairvest	7.2%
CEP	15.4%
Management	77.4%
	100%

Allied was active in each of its three geographic regions last year. The company entered the US market with the opening of a centre in Phoenix and relocated its England office to a more desirable location outside London. In Canada, Allied continued to achieve good growth and obtained ISO 9002 certification.

## WHERE WE'RE GOING.

Allied will continue to grow its business in Canada, the UK and the US through a dedicated focus on improving and expanding internal sales efforts. The company also expects to complete several strategic acquisitions over the next few years in order to strengthen its geographic position and increase the breadth of its service offerings.

## INDUSTRY OUTLOOK.

The accounts receivable management industry has estimated annual agency fee revenues of US\$9 billion in Canada, the US and the UK. The industry is growing rapidly, at over 10% per annum, driven by a strong increase in consumer debt levels and a trend by credit grantors to outsource their collection activities and turn over their receivables to agencies earlier in the collection cycle.

For Clairvest and Clairvest Equity Partners this is an opportunity to invest with an entrepreneur that has gained a solid foothold in a consolidating and growing industry.

## THE MANAGEMENT TEAM.

Allied is led by its President David Rae, who has over twenty years of experience in the accounts receivable management industry. Under Mr. Rae's leadership, Allied has achieved its ISO 9002 certification and, in 1999, was named one of Canada's 50 Best Managed Private Companies.

John Fisher and Michael Bregman of Clairvest sit on Allied's Board of Directors.

(\$ millions)	0	5	10	15	20	25
ALLIED Revenue	00					
	99					
	98					

# CONSOLIDATED VENDORS CORPORATION

Growing in size and profitability.  
Consolidated Vendors revenue up 90%.

## OUR BUSINESS.

Consolidated Vendors owns and services approximately 4,500 vending machines throughout Michigan and Illinois. Located in prime industrial, retail and office locations in the Midwest, customers are provided with a broad range of quality vending products.

## OUR PERFORMANCE.

The year was one of consolidating the four acquisitions made in 1999. Revenue grew from US\$16.8 million to US\$31.9 million, an increase of 90%. EBITDA increased from US\$1.7 million in 1999 to US\$3.6 million in 2000, an increase of 115%.

## FINANCIAL PERFORMANCE (US\$ millions)

Year ended December 31	1998	1999	2000
Revenue	10.5	16.8	31.9
EBITDA (pre-corporate)			5.4
Corporate EBITDA	1.4	1.7	3.6
Ending net debt	2.4	13.8	14.2

## INVESTMENT IN PREFERRED SHARES, COMMON SHARES & SHORT-TERM DEBENTURES (\$ millions)

	Mar. 31, 2000	Mar. 31, 2001
Cost	6.2	6.6
Carrying value	6.3	8.2

## OWNERSHIP (fully diluted)

Clairvest	57.9%
Management	42.1%
	100%

## WHERE WE'RE GOING.

We will complete follow-on acquisitions in each of Consolidated Vendor's three core market territories in East Michigan, West Michigan and Northern Illinois. These strategic additions will allow for a rationalization of operations and regional economies of scale that should produce

significant increases in operating income margins. Longer-term, the goal is to pursue the acquisition of several hub companies in new territories.

## INDUSTRY OUTLOOK.

In the United States the ownership and servicing of vending machines is a US\$20 billion a year business. The vending industry in the United States is highly fragmented with more than 9,000 operators, where approximately 97% generate annual revenue of less than US\$10 million.

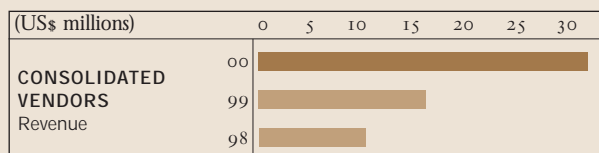
For Clairvest, this represents a tremendous opportunity to participate in the consolidation of the industry by investing behind an entrepreneur that has demonstrated industry-leading profitability due to superior service and a disciplined approach to management. Clairvest expects to increase its investment in Consolidated Vendors as the company continues to grow profitably.

## THE MANAGEMENT TEAM.

Consolidated Vendors is led by Michael Kelner, a successful entrepreneur with over 16 years experience in the vending industry. Mr. Kelner's prior management experience at GE provided him with the necessary leadership and business skill sets to grow Consolidated Vendors from US\$2 million to over US\$31 million today.

Since Clairvest's investment, Consolidated Vendors management team has grown to include a Vice-President of Operations; a Chief Financial Officer; senior management positions in Purchasing, Human Resources, MIS and Accounting; and three regional General Operations Managers.

Jeff Parr and John Fisher sit on the Board of Directors of Consolidated Vendors.



# DATAMARK SYSTEMS GROUP INC.

## Acquisition makes Datamark leader in airline ticket business.

### OUR BUSINESS.

Datamark specializes in providing customers with end-to-end document management services. These services include customized print design, production, cost control and reporting, and warehousing and distribution. Datamark services its growing North American customer base through a network of direct sales professionals.

### OUR PERFORMANCE.

In 2000, Datamark had revenue growth of 16.3% and EBITDA growth of 5.8%. During the period, Datamark acquired and integrated its main competitor in the airline ticket business, achieving a dominant North American market position. This acquisition allowed for the closure of the US facility.

### FINANCIAL PERFORMANCE (\$ millions)

Year ended December 31	1997	1998	1999	2000
Sales	69.4	82.9	101.4	<b>117.9</b>
EBITDA	6.2	8.1	10.4	<b>11.0</b>
Margin	8.9%	9.8%	10.3%	<b>9.3%</b>
Dividends paid	-	17.7	-	<b>6.5</b>
Net debt (cash)	(13.8)	6.7	9.9	<b>23.1</b>

### INVESTMENT IN COMMON SHARES (\$ millions)

	Mar. 31, 2000	Mar. 31, 2001
Cost	14.4	<b>14.4</b>
Carrying value	13.6	<b>8.9<sup>1</sup></b>

<sup>1</sup> Excludes \$11.4 million in dividends received from inception to June 30, 2001

### OWNERSHIP (fully diluted)

Clairvest	<b>36.7%</b>
Management and others	<b>63.3%</b>
	<b>100%</b>

### WHERE WE'RE GOING.

For 2001, Datamark expects a record year of EBITDA and revenue based on strong Q1 2001 results. Revenue was \$33.9 million, up 21.7% from Q1 2000, and EBITDA was \$3.2 million, up 45.8%.

Datamark will continue to grow through strategic acquisitions of complementary products that will leverage the sales force and drive down costs through the rationalization of facilities. In January 2001, the company closed the purchase of the remaining 30% of Intramedia, Datamark's successful commercial print operation. Datamark will continue to utilize its recurring operating free cash flow to finance strategic acquisitions. In May of 2001, Datamark generated another dividend payment of \$2.4 million to its shareholders.

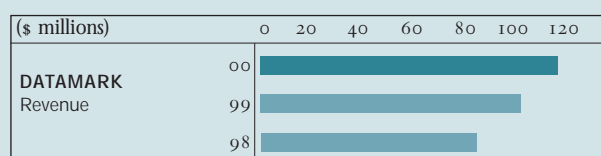
### INDUSTRY OUTLOOK.

While the North American document solutions industry is a mature industry (annual growth of 2–3%), it is also in the midst of continental consolidation. Datamark is the fourth largest integrated document solutions company in Canada, where the four largest companies have a 70% share of the market. Over the past four years, two of the top three Canadian competitors were purchased by U.S. consolidators. Datamark will actively participate in this consolidation process, initially as a buyer and ultimately as a seller.

### THE MANAGEMENT TEAM.

Datamark is led by Jeffrey Zunenshine and Claude Perrotte. For the past 18 years the two partners have built the company from a small Quebec-based business to a leading national document solutions company. With the assistance of Clairvest in the completion of three acquisitions, Datamark revenue has grown from \$69.4 million in 1997 to \$117.9 million in 2000. Datamark has delivered much of this growth in value directly into the hands of shareholders through the payment of \$24.2 million in dividends.

Tom Beck, Syd Cooper, John Fisher and Jeff Parr sit on the Board of Directors of Datamark.



# GATEWAY CASINOS INC.

## Gaming industry growth strong. Gateway Casinos secures 10-year operating licences in British Columbia.

### OUR BUSINESS.

Gateway Casinos operates four casinos in Western Canada. Three are located in the lower British Columbia mainland near Vancouver, while the fourth is located in the West Edmonton Mall. Combined, the company operates 120 gaming tables and 724 slot machines.

### OUR PERFORMANCE.

For the year ended April 30, 2001, revenue increased by 19.9% while EBITDA increased by 13.5%. These results reflect the relative fixed cost nature of casino operations and the ability to generate significant economies of scale with increased revenues.

In the past year, Gateway Casinos successfully negotiated a 10-year operating agreement – with an option for an additional 10 years – with the British Columbia Lottery Corporation. The agreement confirms Gateway Casinos' economic model and provides a strong foundation for its growth within the province.

At the West Edmonton Mall, the July 2001 completion of a \$9.0 million expansion will more than double that casino's gaming floor space to 60,000 square feet.

### FINANCIAL PERFORMANCE (\$ millions)

Year ended April 30	1998	1999	2000	2001
Revenue	15.5	24.9	53.8	<b>64.5</b>
EBITDA (pre-distribution)	5.8	9.0	25.2	<b>28.6</b>
Debt (cash)	1.6	(3.7)	(17.0)	<b>(15.5)</b>

### INVESTMENT IN COMMON SHARES (\$ millions)

	Mar. 31, 2000	Mar. 31, 2001
Cost	24.0	<b>24.0</b>
Carrying value	24.0	<b>24.0</b>

### OWNERSHIP (fully diluted)

Clairvest	<b>28.4%</b>
Management & others	<b>71.6%</b>
	<b>100%</b>

During 2001, Clairvest received \$2.8 million from Gateway Casinos, its portion of \$10 million of distributions.

### WHERE WE'RE GOING.

As the British Columbia government improves the availability of gaming in more attractive locations, it is expected that the appeal of gaming to a broader demographic will accelerate.

Gateway Casinos is pursuing the relocation of the New Westminster casino to a new site. By securing an option to purchase the Riverboat Casino, which operates within New Westminster, Gateway Casinos plans to combine the two casinos and create the first 60-table, 600-slot casino in British Columbia.

### INDUSTRY OUTLOOK.

The casino and gaming industry in Canada has experienced tremendous growth over the past ten years. Casino winnings have grown from \$15 million in 1990 to over \$3.4 billion in 1999.

Alberta is a leader in the Canadian gaming industry with the most developed gaming infrastructure and per capita winnings of \$407 per year. With British Columbia's per capita winnings the lowest in Canada at \$176, the prospects for growth of the gaming industry in British Columbia remains strong.

### THE MANAGEMENT TEAM.

Gateway Casinos is led by Ray McLean and a senior management team of seasoned industry professionals including President, Dave Gadhia; COO, Dan McLean; General Manager, Monique Wilberg; and COO of Alberta Operations, Howard Worell.

Jeff Parr and Michael Wagman sit on Gateway Casinos' Board of Directors and assist the company with acquisitions, strategic direction and the raising of capital.

(\$ millions)	0	15	30	45	60	75
GATEWAY CASINOS Revenue	01					
	00					
	99					

# NRI INDUSTRIES INC.

## Slowdown in automotive sector hurts NRI results. Re-tooling positions company for greater profitability.

### OUR BUSINESS.

NRI converts low value industrial and consumer scrap rubber into products that meet rigid quality standards at competitive prices. As a Tier 1 supplier to the major automotive manufacturers, NRI is able to exploit its technology-based competitive advantage to sustain leading industry margins, while achieving significant EBITDA growth with only modest increases in sales.

### OUR PERFORMANCE.

In 2000, revenue was \$63.0 million while EBITDA was \$8.6 million, a reduction from the previous year of 7.7% and 34.7% respectively. These results were below last year's due to the slowdown in the automotive sector and the completion of a \$7.7 million capital project that significantly enhanced production, though reduced capacity during installation. The sale of the unprofitable materials division was completed during the year, eliminating a drain on cash, removing a distraction for management and deleveraging NRI.

### FINANCIAL PERFORMANCE (\$ millions)

Year ended December 31 Parts Division	1996	1997	1998	1999	2000
Revenue	53.0	59.3	63.0	68.3	<b>63.0</b>
EBITDA	7.7	10.2	11.5	13.1	<b>8.6</b>
Margin	14.5%	17.1%	18.3%	19.2%	<b>13.6%</b>
Debt	32.7	34.6	35.4	31.4	<b>23.7</b>

### INVESTMENT IN COMMON AND PREFERRED SHARES (\$ millions)

	Mar. 31, 2000	Mar. 31, 2001
Cost	17.7	<b>17.6</b>
Carrying value	22.9	<b>24.1</b>

### OWNERSHIP (fully diluted)

Clairvest	<b>90.5%</b>
Management & others	<b>9.5%</b>
	<b>100%</b>

### WHERE WE'RE GOING.

With the completion of NRI's capital improvement program, the company's cost structure is dramatically improved. NRI was awarded more automotive contracts in 2000 than in any previous year. In most product areas NRI continues to gain market share.

While automotive volumes are down, heavy truck sales – where NRI has a substantial portion of sales – is down even more. Given NRI's fixed cost structure, this fall-off in demand will have a significant negative impact on 2001's results.

The good news is that given the completion of improvements to NRI's manufacturing process, when the automotive cycle turns up again, the company should achieve record levels of sales, improved margins and even greater levels of profitability.

### INDUSTRY OUTLOOK.

We expect the downturn in the automotive sector that began in Q4 2000, to last – given historical norms – approximately eighteen to twenty-four months. As new demand emerges for Thermo-plastic elastomers (rubber-plastic blends), NRI is well positioned to increase its market share. The industry is mature, growing modestly, and consolidation is occurring in certain niches in the automotive supply industry.

### THE MANAGEMENT TEAM.

NRI is led by Ted Pattenden, a former senior executive at Dupont. Mr. Pattenden, along with a team of senior manufacturing and marketing executives, has taken NRI from a marginally competitive provider of rubber parts into a niche player with a meaningful cost advantage.

Jerry Heffernan, Joe Rotman, Lionel Shipper and Ken Rotman sit on the Board of Directors of NRI. Mr. Heffernan is the Chairman of NRI.

(\$ millions)		50	60	70
NRI	00			
Revenue	99			
	98			

# SIGNATURE SECURITY GROUP HOLDINGS PTY. LIMITED

## Signature restructures operations and increases EBITDA by 68%.

### OUR BUSINESS.

Signature is a full-service electronic security company serving Australia and New Zealand, where it sells, installs, services and monitors alarm systems for residential and commercial customers. Since 1997, the company has become the second largest electronic security provider in Australia and the largest full-service provider in New Zealand.

### OUR PERFORMANCE.

In the year ended March 31, 2001, Signature's revenue increased by 11.1%. At the same time EBITDA rose by 68.3%, reflecting a 13.6% increase in margins. Despite continued strong year-over-year improvement in operating performance, Signature has grown rapidly and invested heavily in this growth. In 2001, Signature significantly restructured its operations such that future growth will be slower and much more economical. Having completed its operational restructuring, Signature is now in the midst of a capital reorganization with a new \$24 million investment by existing shareholders. In consideration of this, Clairvest took a \$7.4 million reserve against book value at March 31, 2001. The financial restructuring is expected to be completed in Clairvest's second quarter of 2002.

### FINANCIAL PERFORMANCE (AUS\$ millions)

Year ended March 31	1998	1999	2000	2001
Revenue	26.5	45.9	47.0	<b>52.2</b>
EBITDA	2.4	10.0	12.4	<b>20.9</b>
Margin	8.9%	21.8%	26.4%	<b>40.0%</b>
Run rate EBITDA	7.1	12.7	15.3	<b>23.3</b>
Monthly monitoring revenues	2.5	3.0	3.3	<b>3.8</b>
Net debt	53.3	89.6	102.0	<b>126.2</b>

### INVESTMENT IN ORDINARY SHARES &

#### LOANS TO MANAGEMENT (\$ millions)

	Mar. 31, 2000	Mar. 31, 2001
Cost	20.4	<b>20.4</b>
Carrying value	31.9	<b>20.4</b>

### OWNERSHIP (fully diluted)

Clairvest	<b>38.8%</b>
Management & others	<b>66.2%</b>
	<b>100%</b>

### WHERE WE'RE GOING.

Phase one of Signature's growth plan involved the aggressive acquisition and consolidation of small regional providers. Phase two was a dedicated focus on rapid organic growth. The third phase, which Signature has embarked upon, involves a cost reduction initiative that is focused on slower more profitable growth and revised pricing strategies aimed at acquiring new customers.

### INDUSTRY OUTLOOK.

The electronic security industry in Australia is underserved, with residential penetration rates of 5% compared to approximately 20% in the US. The Australian industry is highly fragmented with the top three firms having a market share of 60% (Signature's market share is estimated at 20%). The balance of the industry is held in the hands of over 3,000 independent operators. Significant industry consolidation is under way.

### THE MANAGEMENT TEAM.

In 2000, Signature's Co-CEO Joe Nuccio returned to the United States to pursue new opportunities. Leadership of the Company now resides with Howard Watson, who shared the CEO position with Mr. Nuccio and was the Company's former CFO. Mr. Watson has been instrumental in initiating and leading the third phase of Signature's current strategic initiatives.

Michael Wagman, Ken Rotman and Jeff Parr sit on Signature's Board of Directors.

(AUS\$ millions)	0	5	10	15	20	25
SIGNATURE	01					
Run rate EBITDA	00					
	99					

# SPARKLING SPRING WATER HOLDINGS LIMITED

Captures number one market share in Washington State. Sparkling Spring enters Alberta market.

## OUR BUSINESS.

Sparkling Spring is a bottling, distribution and cooler rental company for high-quality purified drinking water. The company provides regular service to 182,600 water coolers – where over 78% are rental units. Sparkling Spring services customers in Oregon, Washington, British Columbia, Alberta, Atlantic Canada, England and Scotland.

## OUR PERFORMANCE.

During the past year, revenues grew by 8.4% to US\$69.3 million while EBITDA grew by 3.0% to US\$17.6 million. The company achieved superior performance to any previous year, despite adverse foreign exchange rates, the effect of higher gasoline prices and a substantial investment in sales and marketing. The results of this marketing investment have been felt quickly as 11,187 new cooler rentals were added for a 9% internal rate of growth.

## FINANCIAL PERFORMANCE (US\$ millions, except serviced water coolers)

Year ended December 31	1997	1998	1999	2000
Sales	42.1	57.5	63.9	<b>69.3</b>
EBITDA <sup>1</sup>	11.2	12.4	17.1	<b>17.6</b>
EBITDA margin	26.6%	21.6%	26.7%	<b>25.4%</b>
Serviced water coolers	115,000	148,800	160,300	<b>182,600</b>
Net debt	77.3	102.6	107.1	<b>105.1</b>

<sup>1</sup> Before one-time costs relating to integration of acquisitions.

## INVESTMENT IN COMMON SHARES (\$ millions)

	Mar. 31, 2000	Mar. 31, 2001
Cost	5.9	<b>5.9</b>
Carrying value	19.3	<b>31.9</b>

## OWNERSHIP (fully diluted)

Clairvest	<b>24.2%</b>
Management & others	<b>75.8%</b>
	<b>100%</b>

Sparkling Spring raised US\$10.3 million of equity during the year, which values Clairvest's position at \$31.9 million, up from \$19.3 million at March 31, 2000.

## WHERE WE'RE GOING.

Subsequent to year-end, the company raised an additional US\$15 million of equity and completed three acquisitions increasing market share in both British Columbia and Washington State. Sparkling Spring is now number one in market share in Washington.

Operating performance is expected to remain strong in 2001. Clairvest expects that its percentage interest in Sparkling Spring will continue to be diluted as the company grows and equity is being raised from third parties at increasing valuations to support the company's growth.

## INDUSTRY OUTLOOK.

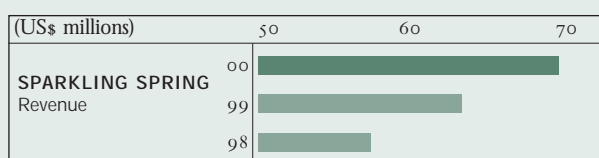
Bottled water is one of the fastest-growing segments of the beverage industry, with a 9.6% average growth rate from 1994 to 1999 in the United States. This industry is fragmented, regional, relatively unsophisticated in terms of management and capital-intensive. Approximately 2,000 companies in the U.S. account for almost US\$5.0 billion in sales with the top five companies accounting for 60% of the market. The trend toward consolidation is increasing.

The public demand for better-tasting water and a rising concern for health-related issues will be major drivers of the demand for bottled water in the foreseeable future.

## THE MANAGEMENT TEAM.

Sparkling Spring is led by John Krediet, a proven entrepreneur with a history of many years in the beverage industry. The current senior management team includes COO Stewart Allen and CFO Dillon Schickli, who worked together with Mr. Krediet in consolidating Pepsi bottlers in Canada.

Joe Heffernan and Ken Rotman sit on the Board of Directors of Sparkling Spring.



# VOXCOM INCORPORATED

## Voxcom completes operational and financial restructuring to strengthen financial base.

### OUR BUSINESS.

Voxcom installs and monitors electronic security systems and Life Call medical alert systems throughout Canada. The company operates a 24-hour monitoring station in Edmonton providing nationwide service. Voxcom is the fourth largest competitor in Canada.

### OUR PERFORMANCE.

In 2001, Voxcom's revenue grew from \$21.3 million to \$25.4 million while EBITDA grew from \$5.5 million to \$8.5 million. At the same time EBITDA margin increased from 25.9% to 33.5%. While revenue and EBITDA growth have been strong, the growth has been achieved through substantial investments in market development.

### FINANCIAL PERFORMANCE (\$ millions, except number of customers)

Year ended February 28	1998	1999	2000	2001
Revenue	9.2	15.0	21.3	<b>25.4</b>
EBITDA	2.3	4.5	5.5	<b>8.5</b>
Margin	24.9%	29.8%	25.9%	<b>33.5%</b>
Number of customers	37,519	53,420	69,297	<b>76,904</b>
Monthly monitoring revenue	0.9	1.3	1.7	<b>1.8</b>
Net debt	12.7	26.0	46.9	<b>63.2</b>

### INVESTMENT IN COMMON SHARES & CONVERTIBLE DEBENTURES (\$ millions)

	Mar. 31, 2000	Mar. 31, 2001
Cost	6.3	<b>6.3</b>
Carrying value	9.3	<b>7.7</b>

### OWNERSHIP (fully diluted)

Clairvest	<b>27.4%</b>
Management & others	<b>72.6%</b>
	<b>100%</b>

In 2001, Voxcom completed operational and financial restructuring to improve the economics of its business and

stabilize its capital structure. During the period Voxcom took a \$1.2 million restructuring charge as part of a cost-cutting initiative that will result in savings of \$2 million to EBITDA on an annualized basis.

### WHERE WE'RE GOING.

The alarm security industry is going through a fundamental change. No longer is "growth at any cost" acceptable. Voxcom is leading the way and as a result will experience slower growth than it has historically; however, the internal economics of each new customer will be greatly improved.

### INDUSTRY OUTLOOK.

The Canadian electronic security market is approximately \$275 million in size, highly fragmented and growing at an annual rate of 10-15%. Penetration of the residential market is currently 10% and expected to double in the next several years. As the industry and Voxcom are once again re-focused on fundamental economics, the opportunities for strategic acquisitions will present themselves when multiples return to more historic levels.

### THE MANAGEMENT TEAM.

Voxcom is led by Brad Sparrow, who, along with the entire senior management team, have extensive industry experience. Mr. Sparrow has transformed Voxcom from a marginally profitable start-up in the medical alert business to a leading position in the Canadian electronic security industry today.

Ken Rotman and Michael Wagman sit on Voxcom's Board of Directors.

