

MANAGEMENT'S DISCUSSION AND ANALYSIS

As at, and for the year ended, March 31, 2001

The following is a review and analysis of Clairvest Group Inc.'s financial results, financial position, risks and opportunities. It should be read in conjunction with the messages from the Executive Chairman and Co-Chief Executive Officers, the Review of Investments and the Consolidated Financial Statements.

INTRODUCTION

Clairvest Group Inc. ("Clairvest" or the "Company") is a Canadian merchant bank that specializes in partnering with management teams and other stakeholders of both emerging and established companies. Clairvest focuses on a small number of carefully selected companies and actively participates in the building of these organizations. During fiscal 2001 Clairvest launched two new investment vehicles – Clairvest Equity Partners Limited Partnership ("CEP") and Clairvest-Yorkton Transition Capital Fund L.P. ("the Bridge Fund").

To June 30, 2001, Clairvest had raised \$109 million in CEP from outside investors, while committing to invest \$50 million alongside CEP. All future private equity investments will be made through the combined Clairvest CEP capital pool. As manager of CEP, Clairvest now has a larger pool of available capital with which to make investments. Clairvest receives management fees and will, ultimately, receive a share of the profits from CEP.

The Bridge Fund, a joint venture between Clairvest and Yorkton Securities Inc., provides bridge financing to growth companies in the technology and health sciences industries prior to a larger, more permanent financing. The Bridge Fund was initially capitalized with \$7 million, \$5 million of which was committed by Clairvest. At March 31, 2001, Clairvest had funded \$1.5 million of its commitment.

OVERVIEW OF FISCAL 2001

During the year ended March 31, 2001, Clairvest's investment in Gateway Casinos Inc. ("Gateway Casinos") closed, our investment in Vitamins.com was sold to HealthCentral.com in a share exchange transaction and we acquired 2,813 common shares in Consolidated Vendors Corporation ("Consolidated Vendors").

The following is an overview of these events:

- In fiscal 2000 Clairvest entered into an agreement to acquire 6.0 million common shares in Gateway Casinos, for a 28.4% ownership interest. The investment was held in escrow pending regulatory approval of the investment. Regulatory approval was received and the investment closed in fiscal 2001.
- Clairvest's 3,056,331 common shares and 5,235,106 Series B convertible preferred shares in Vitamins.com were exchanged for 3,208,786 common shares in HealthCentral.com in a share exchange transaction. A \$10.1 million unrealized loss was subsequently recognized on the investment in HealthCentral.com.
- Clairvest acquired 2,813 common shares in Consolidated Vendors for \$0.5 million, increasing our fully diluted ownership to 57.9%.

SUMMARY OF CLAIRVEST'S INVESTMENTS AT MARCH 31, 2001

Investment	Trading Symbol and Exchange	% Ownership ⁽¹⁰⁾	Cost of Investment (millions)	Carrying Value of Investment (millions) ⁽¹¹⁾	Description of Business
PUBLICLY-TRADED INVESTMENTS					
Datamark Systems Group Inc. ⁽¹⁾	DMK – TSE	36.7%	\$ 14.4	\$ 8.9	One of Canada's leading print and document management companies.
HealthCentral.com ⁽²⁾	HCEN – NASDAQ	6.3%	\$ 9.0	\$ 0.4	A leading e-commerce provider of healthcare products and content.
Voxcom Incorporated ⁽³⁾	VOX – CDNX	27.4%	\$ 6.3	\$ 7.7	A security company that sells, installs, services and monitors security alarm systems for residential and commercial subscribers in Canada.
PRIVATELY-HELD INVESTMENTS					
Clairvest-Yorkton Transition Capital Fund L.P. ⁽⁴⁾	Private	71.4%	\$ 1.5	\$ 3.1	Provides bridge financing to growth companies in the technology and health sciences industries.
Consolidated Vendors Corporation ⁽⁵⁾	Private	57.9%	\$ 6.6	\$ 8.2	A leading independent vending operator in Michigan and Illinois, providing a full range of vended products.
Gateway Casinos Inc. ⁽⁶⁾	Private	28.4%	\$ 24.0	\$ 24.0	A gaming management company that operates four casinos in Western Canada.
NRI Industries Inc. ⁽⁷⁾	Private	90.5%	\$ 17.7	\$ 24.1	The North American leader in converting tire-derived waste rubber into value-added manufactured products.
Signature Security Group Holdings Pty. Limited ⁽⁸⁾	Private	33.8%	\$ 20.4	\$ 20.4	One of the largest electronic security companies serving Australia and New Zealand.
Sparkling Spring Water Holdings Limited ⁽⁹⁾	Private	24.2%	\$ 5.9	\$ 31.9	A leading purified water company serving customers in Canada, the United States and the United Kingdom.
OTHER INVESTMENTS			\$ 0.5	\$ 0.5	
TOTAL INVESTMENTS			\$ 106.3	\$ 129.2	

(1) Clairvest owns 4,675,670 common shares in Datamark. Clairvest received a total of \$10.5 million in tax-free dividends from Datamark to March 31, 2001, resulting in a net cash investment at March 31, 2001, of \$3.9 million. Subsequent to the March 31, 2001, year-end, Clairvest received an additional \$0.9 million in tax-free dividends, further reducing Clairvest's net cash investment to \$3.0 million. Carrying value is based on the quoted market price.

(2) Clairvest owns 3,208,786 common shares in HealthCentral.com. Carrying value is based on the quoted market price, adjusted for foreign exchange.

(3) Clairvest has invested \$5.0 million in Voxcom convertible debentures and \$1.3 million in common shares (230,000 common shares). At March 31, 2001, the debentures were convertible into 2.0 million common shares. Carrying value is based on the quoted market price, as though the debentures were converted at this time.

(4) Clairvest has committed to fund \$5.0 million to the Bridge Fund, \$1.5 million of which was funded at March 31, 2001. Carrying value is based on the underlying value of the loans and warrants held by the Bridge Fund.

(5) Clairvest owns 35,000 Convertible Class A preferred shares, 2,813 common shares and a US\$500,000 subordinate debenture in Consolidated Vendors. Carrying value is based on cost plus accrued dividends for the preferred shares, cost for the common shares and accrued cost for the debenture, adjusted for foreign exchange.

(6) Clairvest owns 6.0 million common shares in Gateway Casinos. The common shares are carried at cost. Clairvest received \$2.8 million in taxable distributions from Gateway Casinos during the year.

(7) Clairvest owns 86,000 common shares, 6.0 million Class A preferred shares, 2.0 million Class D preferred shares and 4.5 million Class E preferred shares in NRI. The common shares are carried at cost since there have been no third party equity financings subsequent to Clairvest's investment. The Class A, Class D and Class E preferred shares are carried at redemption value plus accrued dividends.

(8) Clairvest owns 274,758 ordinary shares in Signature through its wholly owned subsidiary, Clairvest Group International (Netherlands) B.V. Carrying value is based on the last third-party equity issue, which took place June 1999, adjusted for foreign exchange and net of a downward adjustment, bringing the carrying value of the investment down to cost.

(9) Clairvest owns 1,719,680 common shares of Sparkling Spring. Carrying value is based on the last third party equity issue, which took place August 2000, adjusted for foreign exchange.

(10) Ownership percentage calculated on a fully diluted basis at March 31, 2001.

(11) Carrying value is calculated using the fair value method, under which the determination of fair value incorporates the quoted market value of Clairvest's publicly-traded investments, the price of recent financings for privately-held investments or cost where no external valuation is available.

ANALYSIS OF FINANCIAL RESULTS

Clairvest's consolidated financial statements are prepared using the fair value method of accounting. Under fair value accounting, each of Clairvest's investments are re-valued quarterly. Realized and unrealized changes in Clairvest's investments, as well as the tax effects of these changes, are reflected in the income statement. In the year of disposal of an investment, previously recognized unrealized gains (losses) are reversed, so as to recognize the full realized gain (loss) over original cost in the year of disposition. Under fair value accounting, Clairvest's financial statements do not reflect the earnings of its investment partners.

Privately-held investments are carried at cost, unless an adjustment is considered appropriate and supported by objective evidence, such as a significant third party equity financing. The carrying value for Clairvest's publicly-traded investments is based on the quoted market price. This method of accounting requires careful judgement, and the actual realizations may vary from the values presented.

We believe that under fair value accounting, Clairvest's corporate investments are carried at conservative values. While the value of certain privately-held investments may have increased, there may be insufficient persuasive and objective evidence to support an upward adjustment to carrying value. Additionally, we believe that because the value at which significant ownership positions are sold is often greater than the quoted market value, our publicly-traded investments are conservatively valued. The fair value method may result in volatility in Clairvest's financial results, as the values at which the publicly-traded investments are carried are subject to fluctuations in the public markets.

OPERATING RESULTS

CONSOLIDATED STATEMENTS OF INCOME (LOSS) (\$000's)

Year ended March 31	2001	2000
Net investment gains (losses)		
Realized gains on investments (net)	\$ -	\$ 20,721
Previously recognized unrealized gains	-	(18,849)
Unrealized gains (losses) on investments (net)	(9,725)	5,848
	(9,725)	7,720
Other investment income		
Interest income	2,173	1,991
Dividend income	2,572	-
Advisory and other fees	3,717	1,143
	8,462	3,134
Administration and other expenses	4,002	5,307
Income (loss) before income taxes	(5,265)	5,547
Recovery of income taxes	(3,549)	(3,056)
Net income (loss)	\$ (1,716)	\$ 8,603

Clairvest's operating results reflect revenue realized from our corporate investments, and unrealized appreciation and depreciation in the value of our corporate investments. These results are net of all costs incurred to manage these assets.

Net loss for the year ended March 31, 2001 was \$1.7 million, versus net income of \$8.6 million for the year ended March 31, 2000.

There were no realized gains on investments in fiscal 2001, versus \$20.7 million in fiscal 2000. The gain in fiscal 2000 came primarily from the sale of Clairvest's investment in Consoltex. Previously recognized unrealized gains in fiscal 2000 relate to unrealized gains on Consoltex that were recognized in fiscal 2000 and in prior years. When this investment was sold in fiscal 2000, the previously recognized unrealized gains were reversed, and the full realized gain over original cost was recognized at that time.

Clairvest had unrealized losses on investments of \$9.7 million for the year ended March 31, 2001, compared to unrealized gains of \$5.8 million for the year ended March 31, 2000. Unrealized gains/losses result from changes in the carrying value of the investments from one year to the next. The unrealized gains/losses on investments are summarized as follows:

UNREALIZED GAINS (LOSSES) ON INVESTMENTS (\$000's)

Year ended March 31	2001	2000
Investments in publicly-traded companies		
Consoltex Group Inc.	\$ -	\$ 9,055
Datamark Systems Group Inc.	(4,638)	(458)
HealthCentral.com/Vitamins.com	(10,093)	1,480
Voxcom Incorporated	(2,079)	(5,550)
	(16,810)	4,527
Investments in privately-held companies		
Clairvest-Yorkton Transition Capital Fund L.P.	1,589	-
Consolidated Vendors Corporation	970	457
Gateway Casinos Inc.	-	-
NRI Industries Inc.	1,247	940
Signature Security Group Holdings Pty. Limited	(9,305)	(1,098)
Sparkling Spring Water Holdings Limited	12,584	1,093
	7,085	1,392
Other investments	-	(71)
	\$ (9,725)	\$ 5,848

Further details on unrealized gains/losses on investments can be found in the discussion of Clairvest's corporate investments below.

Interest income in fiscal 2001 increased slightly to \$2.2 million from \$2.0 million in fiscal 2000. Dividend income of \$2.6 million for the year ended March 31, 2001, represented tax-free dividends earned from Datamark.

Advisory and other fees increased \$2.6 million to \$3.7 million in fiscal 2001. During the year Clairvest received two distributions from Gateway Casinos totalling \$2.8 million. During fiscal 2001, Clairvest also began earning management fees from CEP in accordance with a management agreement. Management fees earned from CEP totalled \$173,000 for fiscal 2001. This is expected to increase to approximately \$2.2 million in fiscal 2002.

Administration and other expenses decreased \$1.3 million from fiscal 2000 to fiscal 2001. Administration and other expenses in fiscal 2000 were higher than typical as a result of the increased investment activity during the year and due to a bonus paid to employees as a result of the realized gain on Consoltex.

FINANCIAL POSITION AND LIQUIDITY

CONSOLIDATED BALANCE SHEETS (\$000's)

As at March 31	2001	2000
Assets		
Cash and cash equivalents	\$ 7,829	\$ 3,709
Short-term investments	16,616	20,680
Cash held in escrow	-	24,000
Accounts receivable and other assets	1,541	1,342
Corporate investments	129,164	114,007
	\$ 155,150	\$ 163,738
Liabilities		
Accounts payable	\$ 1,624	\$ 1,630
Future income taxes	5,193	10,189
	6,817	11,819
Shareholders' equity		
Share capital	95,652	95,652
Retained earnings	52,681	56,267
	148,333	151,919
	\$ 155,150	\$ 163,738

Clairvest has sufficient capital to support its current and anticipated new investments. In addition to cash and cash equivalents and short-term investments, Clairvest has a \$20 million credit facility with a Canadian chartered bank. The facility is unsecured and bears interest at the bank prime rate plus 0.5%. Clairvest had not drawn down on its line at March 31, 2001. Subsequent to year-end, Clairvest entered into an agreement to guarantee up to \$7.5 million of Voxcom's obligations to its lending syndicate. To date Clairvest has guaranteed \$2.0 million of Voxcom's obligations as part of this agreement. Clairvest's line of credit availability is decreased by the portion of the guarantee that is drawn down.

Cash held in escrow at March 31, 2000, consisted of Clairvest's commitment to invest in Gateway Casinos, which was pending regulatory approval. Regulatory approval was received in fiscal 2001, and the cash that was previously held in escrow was accounted for as corporate investments at March 31, 2001.

As is typical of a merchant bank, Clairvest's main asset is its corporate investments. A breakdown of Clairvest's corporate investments and further discussion can be found below.

Future income taxes decreased \$5.0 million to \$5.2 million at March 31, 2001. The decrease is as a result of a reduction in future income taxes related to net unrealized losses on investments, the reduction in the capital gains inclusion rate for taxation purposes and a decline in the statutory tax rates.

CORPORATE INVESTMENTS (\$'000's)

As at March 31	2001	2000
Investments in publicly-traded companies		
Datamark Systems Group Inc.	\$ 8,931	\$ 13,569
HealthCentral.com/Vitamins.com	401	10,349
Voxcom Incorporated	7,701	9,322
	17,033	33,240
Investments in privately-held companies		
Clairvest-Yorkton Transition Capital Fund L.P.	3,082	-
Consolidated Vendors Corporation	8,221	6,303
Gateway Casinos Inc.	24,000	-
NRI Industries Inc.	24,052	22,884
Signature Security Group Holdings Pty. Limited	20,401	31,938
Sparkling Spring Water Holdings Limited	31,850	19,267
	111,606	80,392
Other investments	525	375
	\$ 129,164	\$ 114,007

DATAMARK SYSTEMS GROUP INC.

At March 31, 2001, Clairvest owned 4,675,670 common shares in Datamark and held 20,000 options to acquire Datamark shares at \$2.02 per share. The shares in Datamark were carried at the quoted market price at March 31, 2001, and the options were valued at the difference between the exercise price and the quoted market price.

The carrying value of Clairvest's investment in Datamark decreased \$4.6 million to \$8.9 million at March 31, 2001. The unrealized loss of \$4.6 million is as a result of the decrease in share price from \$2.90 per share at March 31, 2000, to \$1.91 per share at March 31, 2001. Clairvest recorded an unrealized loss of \$0.5 million for the year ended March 31, 2000, as a result of movements in the quoted market price.

The carrying value of \$8.9 million at March 31, 2001, compares to a cost of \$14.4 million. It is important to note that at March 31, 2001, Clairvest had received back \$10.5 million, by way of tax-free dividends, of the \$14.4 million it had invested in Datamark. Clairvest received further dividends of \$0.9 million subsequent to year-end, increasing total tax-free dividends received to \$11.4 million.

HEALTHCENTRAL.COM/VITAMINS.COM

At March 31, 2001, Clairvest owned 3,208,786 common shares in HealthCentral.com. These shares were acquired during fiscal 2001 on the sale of Vitamins.com in a share exchange transaction. The shares in HealthCentral.com were restricted as to sale during the year and became freely tradable March 31, 2001. At March 31, 2001, the shares in HealthCentral.com were carried at the quoted market price.

The carrying value of Clairvest's investment in HealthCentral.com decreased \$10.0 million to \$0.4 million at March 31, 2001. The unrealized loss of \$10.0 million is as a result of the decrease in the share price from the date of the share exchange transaction to March 31, 2001. Clairvest recorded an unrealized gain of \$1.5 million for the year ended March 31, 2000, as a result of a write-up of the investment based on a third party equity financing completed during fiscal 2000.

The carrying value of \$0.4 million at March 31, 2001, compares to a cost of \$9.1 million.

VOXCOM INCORPORATED

At March 31, 2001, Clairvest owned 230,000 common shares and \$5.0 million of convertible debentures in Voxcom that are due July 18, 2001. Clairvest also held 10,000 options to acquire Voxcom shares at \$3.25 per share and participate in an additional 10,000 options. The shares in Voxcom were carried at the quoted market price at March 31, 2001, the debentures were valued as though converted to common shares and the options were valued at the difference between the exercise price and the quoted market price.

The carrying value of Clairvest's investment in Voxcom decreased \$1.6 million to \$7.7 million at March 31, 2001. The decrease is as a result of \$2.1 million in unrealized losses, net of \$0.5 million of interest accrued on the debentures. The unrealized loss of \$2.1 million is as a result of the decrease in share price from \$4.50 per share at March 31, 2000, to \$3.50 per share at March 31, 2001. Clairvest recorded an unrealized loss of \$5.6 million for the year ended March 31, 2000, as a result of movements in the quoted market price.

The carrying value of \$7.7 million at March 31, 2001, compares to a cost of \$6.3 million.

CLAIRVEST-YORKTON TRANSITION CAPITAL FUND L.P.

During fiscal 2001 Clairvest funded \$1.5 million of its \$5.0 million capital commitment to the Bridge Fund. At March 31, 2001, the investment in the Bridge Fund was carried at the underlying value of the loans and warrants held by the Bridge Fund. The loans were carried at accrued cost and the warrants were valued at the difference between the exercise price and the quoted market price.

The carrying value of \$3.1 million at March 31, 2001, compares to a cost of \$1.5 million. The unrealized gain of \$1.6 million is as a result of the value assigned to the warrants.

CONSOLIDATED VENDORS CORPORATION

At March 31, 2001, Clairvest owned 35,000 10% convertible Class A preferred shares and 2,813 common shares in Consolidated Vendors, and held a US\$500,000 subordinated debenture that is due September 21, 2001. At March 31, 2001, the preferred shares were carried at cost plus accrued dividends, the common shares at cost and the debenture at cost plus accrued interest.

The carrying value of Clairvest's investment in Consolidated Vendors increased \$1.9 million to \$8.2 million at March 31, 2001. The increase is comprised primarily of unrealized gains of \$1.0 million, the acquisition of common shares for \$0.5 million and the accrual of interest on the debenture of \$0.2 million. The unrealized gain of \$1.0 million is as a result of cumulative dividends on the preferred shares and movements in foreign exchange. Clairvest recorded an unrealized gain of \$0.5 million for the year ended March 31, 2000, as a result of cumulative dividends on the preferred shares and foreign exchange movements. The carrying value of \$8.2 million at March 31, 2001, compares to a cost of \$6.6 million.

Subsequent to year-end, Clairvest sold approximately 68% of its investment in Consolidated Vendors to CEP at its accrued value. The investment in Consolidated Vendors is now held by CEP and Clairvest pro rata with their capital commitments to the combined investment pool. CEP and Clairvest invested an additional US\$2.7 million to acquire Class B preferred shares in Consolidated Vendors. Also subsequent to year-end, Consolidated Vendors repaid the US\$500,000 debenture owing to Clairvest with interest. Clairvest has guaranteed any loss CEP may incur on the investment acquired from Clairvest.

GATEWAY CASINOS INC.

At March 31, 2001, Clairvest owned 6.0 million common shares in Gateway Casinos. The shares were held in escrow at March 31, 2000, pending regulatory approval of the investment, which was received in fiscal 2001. At March 31, 2001, the shares in Gateway Casinos were carried at cost. During the year, Clairvest received \$2.8 million in taxable distributions from Gateway Casinos.

NRI INDUSTRIES INC.

At March 31, 2001, Clairvest owned 6.0 million Class A preferred shares, 2.0 million Class D preferred shares, 4.5 million Class E preferred shares and 86,000 common shares of NRI. Clairvest also had an option to acquire an additional 8,000 common shares of NRI from another shareholder, at an exercise price of US\$2.8 million. At March 31, 2001, the common shares were carried at cost since no third party equity financings have taken place subsequent to Clairvest's investment. The Class A, Class D and Class E preferred shares were carried at their redemption values plus accrued dividends and the option is carried at nil.

The carrying value of Clairvest's investment in NRI increased \$1.2 million to \$24.1 million at March 31, 2001. The unrealized gain of \$1.2 million is as a result of cumulative dividends on the preferred shares and the effects of foreign exchange movements on the Class D preferred shares, which are redeemable in US dollars. Clairvest recorded an unrealized gain of \$0.9 million for the year ended March 31, 2000, as a result of cumulative dividends on the preferred shares and foreign exchange movements.

The carrying value of \$24.1 million at March 31, 2001, compares to a cost of \$17.6 million.

SIGNATURE SECURITY GROUP HOLDINGS PTY. LIMITED

At March 31, 2001, Clairvest owned 274,758 ordinary shares in Signature through its wholly owned subsidiary, Clairvest Group International (Netherlands) B.V. At March 31, 2000, the shares in Signature were carried at AUS\$125 per share based on a third-party equity financing that took place June 1999. In fiscal 2001 a downward adjustment was made to the carrying value of the investment, bringing the carrying value back down to the cost of the investment.

The carrying value of Clairvest's investment in Signature decreased \$11.5 million to \$20.4 million at March 31, 2001. The decrease is as a result of movements in foreign exchange and the \$7.4 million downward adjustment to the carrying value of Clairvest's investment in Signature. Signature is in the midst of a capital reorganization, which will result in a \$24 million investment by Signature's shareholders. In light of this, we have determined that the appropriate fair value of our investment is \$20.4 million, and have adjusted the carrying value accordingly. Clairvest recorded an unrealized loss of \$1.1 million for the year ended March 31, 2000, as a result of movements in foreign exchange.

The carrying value of \$20.4 million at March 31, 2001, equals the cost of the investment.

SPARKLING SPRING WATER HOLDINGS LIMITED

At March 31, 2001, Clairvest owned 1,719,680 common shares in Sparkling Spring and warrants to acquire 26,920 common shares at US\$7.73 per share. The shares in Sparkling Spring are carried at US\$11.69 per share based on a third-party equity financing that took place August 2000. The options are carried at the difference between the exercise price and US\$11.69.

The carrying value of Clairvest's investment in Sparkling Spring increased \$12.6 million to \$31.9 million at March 31, 2001. The unrealized gain of \$12.6 million is as a result of a write-up of the investment from US\$7.73 per share to US\$11.69 per share based on the third-party equity financing. Clairvest recorded an unrealized gain of \$1.1 million for the year ended March 31, 2000, as a result of movements in foreign exchange.

The carrying value of \$31.9 million at March 31, 2001, compares to a cost of \$5.9 million. Subsequent to year-end, Clairvest sold 342,173 common shares of Sparkling Spring for proceeds of US\$4.0 million. The transaction results in Clairvest recouping more than 100% of the capital it had originally invested in Sparkling Spring, while continuing to hold 1,377,507 common shares, representing a 16% interest on a fully diluted basis.

RISK MANAGEMENT

The merchant banking business is about accepting risk for return, and is therefore affected by a number of economic factors, including changing economic environments, capital markets and interest rates.

Clairvest manages the risk associated with its corporate investment portfolio through thoughtful planning, strict investment criteria, significant due diligence of investment opportunities and active involvement with existing investments.

Clairvest has implemented a hedging strategy because it has, directly and indirectly, several investments outside of Canada, currently in Australia and in the United States. In order to limit our exposure to changes in the value of the United States and Australian dollars relative to the Canadian dollar, Clairvest has hedged between 50% and 100% of the cost of some of its foreign investments.

Clairvest has some exposure to the financial markets, as approximately 13% of the carrying value of Clairvest's investments at March 31, 2001, was in publicly-traded companies. Clairvest is a value investor and focuses on the intrinsic value related to the specific company's outlook and therefore attempts to act independently of the overall valuation by the market. The entry multiples for its public holdings have generally been less than other public companies in the same industries and therefore have a value cushion in the event of any general market value fluctuations as has been seen this year.

Fluctuations in interest rates affect Clairvest's income derived from cash, cash equivalents and short-term investments. It is the Company's policy to invest these amounts in securities that are highly rated by recognized rating agencies.

OUTLOOK

Fiscal 2002 is already shaping up to be an exciting year. During the first quarter of 2002, Clairvest and CEP made their first joint investment, in Allied Global Holdings Inc., and Clairvest sold a portion of its investment in Consolidated Vendors to CEP. Additionally, Clairvest sold US\$4 million of Sparkling Spring shares, recouping more than 100% of our invested capital, and received a \$0.9 million dividend from Datamark, reducing our invested capital to \$3.0 million.

The launch of CEP in fiscal 2001 presents an exciting opportunity for Clairvest. As manager of the fund, Clairvest now has a larger pool of capital available for investing. The management fee earned from CEP, along with continued distributions from our existing investments, should result in operating profits in future years that fully fund our operations.

During the remainder of fiscal 2002 Clairvest will continue to focus on actively pursuing investment opportunities. Clairvest has \$24.5 million in cash and \$109 million of additional capital through CEP to fund new investments.