

**CLAIRVEST REPORTS FISCAL 2010
FIRST QUARTER RESULTS****Highlights**

- June 30, 2009 book value per share of \$17.83 versus \$17.89 at March 31, 2009. Cash or near cash represents 63% of the June 30, 2009 book value, or \$11.23 per share
- Net income of \$0.6 million, or \$0.04 per share, for the quarter, after recognizing unrealized losses on corporate investments of \$1.1 million for the quarter
- Clairvest received \$4.4 million of loan repayment in cash from the acquirer of Shepell•fgi
- Subsequent to quarter end, Clairvest completed its first closing of Clairvest Equity Partners IV, a new \$500 million private equity investment pool receiving total commitments of \$200 million
- Subsequent to quarter end, Clairvest paid an annual dividend of \$1.6 million, or \$0.10 per share

Toronto, Ontario (August 13, 2009) – Clairvest Group Inc. (TSX:CVG) today reported results for the quarter ended June 30, 2009. *(All figures are in Canadian dollars unless otherwise stated).*

Clairvest's book value per share for the quarter decreased slightly to \$17.83 per share, compared with \$17.89 per share at March 31, 2009.

As previously announced, Shepell•fgi sold substantially all of its assets to an unrelated third party and Clairvest received cash proceeds of \$26.1 million at closing, and non-interest bearing promissory notes secured by the acquirer for an additional \$15.3 million, payable through to July 2010, \$9.7 of which had been repaid during fiscal 2009 at a slight discount. During the first quarter of fiscal 2010, a further \$4.4 million of the promissory notes was repaid. Clairvest continues to hold \$1.1 million of promissory notes which is subject to satisfaction of certain items in the purchase documentation, and which may be received in the form of the acquirer's equity at the option of the acquirer.

Subsequent to quarter end, Clairvest announced that it completed the first closing of its new private equity investment pool which is comprised of a co-investment commitment from Clairvest and a new limited partnership, Clairvest Equity Partners IV Limited Partnership ("CEP IV"). The amount of the first closing was \$200 million, half of which was committed by Clairvest. Broad marketing of CEP IV has commenced with subscriptions limited by a cap of \$500 million on the private equity investment pool. Clairvest has the right to increase its commitment to \$125 million prior to the end of the fundraising period.

"Even though we are in difficult economic times, challenges often lead to opportunities and Clairvest continues to be in a strong capital position to benefit from this challenging and volatile environment," said Ken Rotman, Co-Chief Executive Officer and Managing Director of Clairvest Group Inc. "We look forward to capitalizing on many new opportunities being presented to us for the benefit of our shareholders and our limited partners including CEP IV, our new limited partnership."

Subsequent to quarter end, Clairvest paid an annual dividend of \$0.10 per share. The dividend was paid on July 27, 2009 to common shareholders of record as of July 10, 2009. This is an eligible dividend for Canadian income tax purposes.

About Clairvest

Clairvest Group Inc. is a Canadian merchant bank that invests its own capital, and that of third parties through the Clairvest Equity Partners limited partnerships, in businesses that have the potential to generate superior returns. In addition to providing financing, Clairvest contributes strategic expertise and execution ability to support the growth and development of its investee partners. Clairvest realizes value through investment returns and the eventual disposition of its investments.

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Forward-looking Statements

This news release contains forward-looking statements with respect to Clairvest Group Inc., its subsidiaries and their investments. These statements are based on current expectations and are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Clairvest, its subsidiaries and their investments to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include general and economic business conditions, regulatory risks and the possibility that Clairvest may not be successful in obtaining any additional capital commitments for CEP IV. Clairvest is under no obligation to update any forward-looking statements contained herein should material facts change due to new information, future events or otherwise.

www.clairvest.com

**CLAIRVEST GROUP INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE QUARTER ENDED JUNE 30, 2009**

August 13, 2009

The Management's Discussion and Analysis ("MD&A") analyzes significant changes in the unaudited consolidated financial statements of Clairvest Group Inc. ("Clairvest"). It should be read in conjunction with the accompanying unaudited consolidated financial statements and notes of Clairvest for the quarter ended June 30, 2009 and the attached news release.

All amounts are in Canadian dollars unless otherwise indicated.

CRITICAL ACCOUNTING ESTIMATES

Clairvest prepares its financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"). In accordance with Accounting Guideline 18, "Investment Companies" ("AcG-18"), the Company designates its temporary investments and corporate investments as held-for-trading and carries them at fair value. Clairvest has also designated its receivables and payables as held-for-trading in accordance with Canadian Institute of Chartered Accountants Handbook ("CICA Handbook") Section 3855. Accordingly, each of Clairvest's financial assets and liabilities is fair valued on each consolidated balance sheet date.

When a financial asset or liability is initially recognized, its fair value is generally the value of consideration paid or received. Subsequent to initial recognition, the fair value of an investment quoted on an active market is generally the bid price on the principal exchange the investment is traded on. Investments that are escrowed or otherwise restricted on sale or transfer are recorded at fair values which take into account the escrow terms or other restrictions. In determining the fair value for such investments, the Company considers the nature and length of the restriction, business risk of the investee company, its stage of development, market potential, relative trading volume and price volatility, liquidity and collateral of the security and the size of Clairvest's ownership block as well as any other factors that may be relevant to the ongoing and realizable value of the investments. The amounts at which Clairvest's publicly-traded investments could be disposed of may differ from this fair value and the differences could be material. Differences could arise as the value at which significant ownership positions are sold is often different than the quoted market price due to a variety of factors such as premiums paid for large blocks or discounts due to illiquidity. Estimated costs of disposition are not included in the fair value determination.

In the absence of an active market, the fair values are determined by management using the appropriate valuation methodologies after considering the history and nature of the business; operating results and financial conditions; the general economic, industry and market conditions; capital market and transaction market conditions; contractual rights relating to the investment; public market comparables; private market transactions multiples and, where applicable, other pertinent considerations. The process of valuing investments for which no active market exists is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been used had an active market existed. The amounts at which Clairvest's privately-held investments could be disposed of may differ from the fair value assigned and the differences could be material. Estimated costs of disposition are not included in the fair value determination.

In determining the fair value of public company warrants, the underlying security for which is traded on a recognized securities exchange, and if there are sufficient and reliable observable market inputs, including exercise price and term of the warrants, market interest rate, and current market price, expected dividends and volatility of the underlying security, a valuation technique is used. If market inputs are insufficient or unreliable, the warrants are valued at intrinsic value, which is equal to the higher of the closing bid price of the underlying security, less the exercise price of the warrant, or nil. For private company warrants, the underlying security for which is not traded on a recognized securities exchange, the fair value is determined consistently with other investments which do not have an active market as described above.

A change to an estimate with respect to Clairvest's corporate investments would impact corporate investments and unrealized gains/losses on corporate investments.

The process of determining future income tax assets and liabilities requires management to exercise judgment while considering the anticipated timing of disposal of corporate investments, and proceeds thereon, tax planning strategies, changes in tax laws and rates, and loss carry-forwards. Future income tax assets are only recognized to the extent that in the opinion of management, it is more likely than not that the future income tax asset will be realized. A change to an accounting estimate with respect to future income taxes would impact future tax asset or liability and income tax expense.

OPERATING RESULTS

Net income for the first quarter of fiscal 2010 was \$0.6 million compared with net income of \$20.3 million for the first quarter of fiscal 2009. The net income for the first quarter of fiscal 2010 is comprised primarily of \$0.9 million of net corporate investment losses, \$1.3 million of net operating income and \$0.2 million of income tax recoveries. This compares with net corporate investment gains of \$25.8 million, \$1.7 million of net operating losses, and 3.8 million of income tax expense for the first quarter of fiscal 2009.

The net corporate investment losses of \$0.9 million for the first quarter of fiscal 2010 comprised of \$0.2 million of net realized gains on corporate investments and \$1.1 million of net unrealized losses on corporate investments.

Net realized gains on corporate investments for the first quarter of fiscal 2010 resulted from the repayment of a promissory note received on the sale of Shepell•fgi, which was previously carried at a discount.

Net unrealized losses on corporate investments for the first quarter of 2010 resulted primarily from unrealized loss on Lyophilization Services of New England Inc. (“LSNE”) and N-Brook Mortgage LP (“N-Brook”) offset by an unrealized gain on Landauer Metropolitan Inc. (“Landauer”). Refer to Note 6 to the interim financial statements for detailed disclosure.

Distributions and interest income for the quarter was \$6.4 million, compared with \$3.2 million for the same quarter last year. Distributions and interest income for the first quarter of fiscal 2010 included general partner distributions of \$3.4 million from Clairvest Equity Partners Limited Partnership (“CEP”), net priority distributions of \$1.1 million from Clairvest Equity Partners III Limited Partnership (“CEP III”), interest on cash, cash equivalents and temporary investments of \$0.8 million and \$0.7 million of unrealized gains on temporary investments. Distributions and interest income for the first quarter of fiscal 2009 included interest on cash, cash equivalents and temporary investments of \$1.4 million, net priority distributions of \$1.0 million from CEP III and distributions totaling \$0.4 million from Wellington Financial Fund II and Wellington Financial Fund III (“Wellington Funds”).

Clairvest earned \$0.3 million in net management fees during the quarter for its services in the administration of CEP’s portfolio and \$0.2 million in advisory and other fees from its corporate investments. The CEP management fee is reduced to the extent of 75% of fees earned by Clairvest from joint Clairvest/CEP corporate investments.

Administration and other expenses for the quarter were \$5.9 million, compared with \$5.6 million for the same quarter last year. Included in administrative and other expenses for the first quarter of fiscal 2010 were performance based compensation expense totaling \$3.5 million. Included in administrative and other expenses for the first quarter of fiscal 2009 were \$2.9 million in performance based compensation expense.

Finance and foreign exchange gains of \$0.3 million for the first quarter of fiscal 2010 represented foreign exchange gain of \$0.4 million net of \$0.1 million in interest expense and bank charges. The foreign exchange gains were driven by gains realized on U.S. dollar foreign exchange forward contracts entered into in anticipation of future investment gains. Finance and foreign exchange expense of \$0.2 million for the first quarter of fiscal 2009 represented interest expense and bank charges.

SUMMARY OF QUARTERLY RESULTS

Quarterly results (\$000's except per share information)	Gross revenue \$	Net income (loss) \$	Net income (loss) per common share \$	Net income (loss) per common share fully diluted* \$
June 30, 2009	6,003	662	0.04	0.04
March 31, 2009	8,643	3,822	0.24	0.23
December 31, 2008	1,658	(606)	(0.04)	(0.04)
September 30, 2008	5,406	2,558	0.16	0.16
June 30, 2008	29,873	20,314	1.27	1.23
March 31, 2008	8,469	5,216	0.33	0.32
December 31, 2007	19,708	6,707	0.42	0.41
September 30, 2007	12,403	6,562	0.41	0.40

* The sum of reported quarterly net income (loss) per common share may not equal to the full year reported net income (loss) per common share due to rounding and on the fully diluted, the anti-dilutive effect of any quarters where the Company reported a net loss.

Significant variations arise in the quarterly results due to unrealized gains/losses on corporate investments which result from Clairvest re-valuing its corporate investments on a quarterly basis. Corporate investments are re-valued when conditions warrant an adjustment to the fair value of the corporate investment.

FINANCIAL POSITION AND LIQUIDITY

Clairvest has sufficient capital to support its current and anticipated new investments. In addition to cash, cash equivalents and temporary investments of \$179.1 million at June 30, 2009, Clairvest has a \$20.0 million credit facility with a Canadian chartered bank, all of which was available at June 30, 2009. Cash equivalents consist of term deposits and fixed income mutual funds which have maturities less than 90 days from date of purchase. Temporary investments consist of guaranteed income contracts and corporate bonds rated not below A- and preferred shares rated not below P-3 which have maturities greater than 90 days from the date of purchase. The maturity dates of these temporary investments range from July 2009 through to April 2012.

During the fourth quarter of fiscal 2009, Clairvest filed a normal course issuer bid enabling it to purchase up to 797,678 common shares during the 12-month period ending March 5, 2010. No shares were purchased under the bid during the quarter. As at June 30, 2009, Clairvest had repurchased a total of 5,709,578 common and non-voting shares over the last six years.

15,953,566 common shares were outstanding at June 30, 2009. During the first quarter of fiscal 2010, Clairvest declared an annual dividend of \$1.6 million, or \$0.10 per share.

Clairvest has corporate investments with a carrying value of \$96.9 million. Changes in the carrying value of Clairvest's corporate investments during the first quarter of fiscal 2010 are primarily a result of investment realizations, net unrealized losses on corporate investments and follow-on investments made. Clairvest's corporate investments decreased \$6.0 million during the first quarter of fiscal 2010. Significant events relating to Clairvest's corporate investments, other than with respect to net unrealized losses, are described below.

Casino New Brunswick

During the first quarter of fiscal 2010, Clairvest funded an additional \$1.4 million of its \$8.0 million commitment to invest in Casino New Brunswick in the form of debentures, which are non-interest bearing until Casino New Brunswick opens and bear interest at a rate of 8% per annum thereafter. At June 30, 2009, the total amount funded was \$3.7 million.

Landauer

During the first quarter of fiscal 2010, Clairvest acquired an additional 252,087 common shares of Landauer for \$0.5 million.

Shepell•fgi

During fiscal 2009, Shepell•fgi sold substantially all of its assets to an unrelated third party. Clairvest received cash proceeds of \$26.1 million at closing, and non-interest bearing promissory notes secured by the acquirer for an additional \$15.3 million, payable through to July 2010, \$9.7 of which had been repaid during fiscal 2009 at a slight discount. A further \$4.4 million of the promissory notes were repaid by the acquirer during the first quarter of fiscal 2010. Further repayment of the remaining \$1.1 million promissory notes is subject to satisfaction of certain items in the purchase documentation, all of which may be received in the form of the acquirer's equity at the option of the acquirer. The remaining promissory notes are carried at a fair value of \$0.9 million, which was determined by discounting the face value of the promissory notes at 20% per annum from their maturity dates.

TRANSACTIONS WITH RELATED PARTIES

A wholly owned subsidiary of Clairvest ("GP I") has entered into a Management Agreement with the General Partner of CEP, appointing GP I as the Manager of CEP. The General Partner is another wholly owned subsidiary of Clairvest. The Management Agreement provides that a management fee be paid to GP I as compensation for its services in the administration of the portfolio of CEP. The fee was calculated annually as 2% of committed capital until the fifth anniversary of the last closing of CEP (August 21, 2006), and thereafter at 2% of contributed capital less distributions on account of capital and any write-downs of capital invested. The management fee is reduced to the extent of 75% of fees earned by Clairvest or GP I from corporate investments of CEP. During the first quarter of fiscal 2010, GP I earned net management fees of \$0.3 million as compensation for its services in the administration of the portfolio of CEP. As per the Management Agreement, fees of \$0.1 million from corporate investments of CEP were netted against the management fees.

The General Partner of CEP is entitled to participate in distributions made by CEP equal to 20% of net gains of CEP. These distributions to the General Partner will be determined based on the overall performance of CEP and no such distributions are permitted until CEP's limited partners have received amounts equal to the sum of their contributed capital and a return equal to 6% per annum compounded annually. The distributions received by the General Partner of CEP will be allocated 50% to each of its limited partners one of which is another wholly owned subsidiary of Clairvest ("Clairvest Subsidiary"), and the other of which is another limited partnership (the "Participation Partnership"). The limited partners of the Participation Partnership are principals and employees of Clairvest and GP I (the "Participation Investors"). The Participation Investors have purchased, at fair market value, units of the Participation Partnership. From time to time, additional units in the Participation Partnership may be purchased by the Participation Investors. During the quarter, CEP declared \$6.8 million of distributions to the General Partner, 50% of which, or \$3.4 million, belongs to Clairvest Subsidiary and is included in income and in accounts receivable and other assets. The amount was received by Clairvest Subsidiary subsequent to quarter end. At June 30, 2009, CEP has declared distributions to the General Partner totaling \$9.7 million, 50% of which, or \$4.9 million, belongs to Clairvest Subsidiary. If CEP were to sell its corporate investments at their current fair values, the General Partner would receive up to a further \$11.9 million of distributions, 50% of which, or \$6.0 million, would be payable to Clairvest Subsidiary.

Clairvest is also the parent company of the two General Partners of CEP III (GP I and "GP II"). GP I is entitled to a 2% priority distribution from CEP III. The 2% priority distribution began in August 2006, the month in which CEP III made its first investment. The priority distribution is reduced to the extent of 75% of any fees earned by GP I from corporate investments of CEP III. During the first quarter of fiscal 2010, CEP III declared to GP I net priority distributions of \$1.0 million. As per the Limited Partnership Agreement, fees of \$0.1 million from corporate investments of CEP III were netted against the priority distributions. GP I is also entitled to distributions made by CEP III equal to 2% of net gains of CEP III determined as described below. To date, CEP III has not made any distributions to GP I other than priority distributions.

GP II, a limited partnership, the General Partner of which is a wholly owned subsidiary of Clairvest, is entitled to participate in distributions made by CEP III equal to 18% of net gains of CEP III. The distributions to GP II, and GP I as noted above, will be determined based on the overall performance of CEP III. No such distributions are permitted until CEP III's limited partners have received amounts equal to the sum of their contributed capital and a return equal to 8% per annum compounded annually. To date, CEP III has not made any distributions to GP II. If CEP III were to sell its corporate investments at their current fair values, GP I and GP II would not receive any distributions other than the priority distributions described above. Any distributions received by GP II will be allocated to each of its two limited partners, one of which is a wholly owned subsidiary of Clairvest which will receive 44.4% of such distributions, and the other of which is another limited partnership [the "Participation III Partnership"] which will receive 55.6% of such distributions. The limited partners of the Participation III Partnership are principals and employees of Clairvest and GP I [the "Participation III Investors"]. The Participation III Investors purchased, at fair market value, units of the Participation III Partnership. From time to time, additional units in the Participation III Partnership may be purchased by Participation III Investors.

GP II is also entitled to a carried interest in respect of CEP III Co-Investment Limited Partnership ("Clairvest LP") of 10% to June 23, 2008 and 8.25% thereafter. Clairvest LP was established in 2006 as the investment vehicle through which Clairvest would co-invest alongside CEP III. Distributions received by GP II from Clairvest LP will be allocated 100% to the Participation III Partnership.

At June 30, 2009 Clairvest had loans receivable from certain officers of Clairvest and GP I (the "Officers") totaling \$0.7 million. The loans are interest bearing, have full recourse to the individual and are collateralized by the common shares of Clairvest purchased by the Officers with a market value of \$0.6 million. At June 30, 2009, Clairvest also had loans receivable from certain officers of a company affiliated with Clairvest totaling \$0.6 million. The loans are interest bearing and have full recourse to the individual.

Included in accounts receivable and other assets are receivables of \$2.5 million from Clairvest's investee companies, \$5.8 million from CEP and \$2.1 million from CEP III. Included in accounts payable and accrued liabilities is \$0.3 million owing to Clairvest's investee companies.

Loans totaling \$1.5 million, bearing interest at the prime rate made by the Company to CEP during the first quarter of fiscal 2010 were repaid in full during the quarter.

Loans totaling \$4.3 million, bearing interest at the prime rate, were made by the Company to CEP III during the first quarter of fiscal 2010, and \$4.2 million of loans were repaid by CEP III during the quarter. The total amount of loans outstanding to CEP III at June 30, 2009 was \$8.6 million, all of which was repaid subsequent to quarter end. Interest of \$9,000 was earned from loans to CEP III during the first quarter of fiscal 2010.

During the first quarter of fiscal 2010, Clairvest earned \$0.4 million in distributions and interest income, and \$0.2 million in fee income from its investee companies.

OFF-BALANCE SHEET ARRANGEMENTS

Clairvest has committed to co-invest alongside CEP in all investments undertaken by CEP. Clairvest's total co-investment commitment is \$54.7 million, \$3.5 million of which remains unfunded at June 30, 2009. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP if the manager of CEP, a wholly owned subsidiary of Clairvest, concurrently sells a proportionate number of securities of that corporate investment held by CEP.

Clairvest has also committed to co-invest alongside CEP III in all investments undertaken by CEP III. Clairvest's total co-investment commitment is \$75.0 million, \$38.0 million of which remains unfunded at June 30, 2009. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP III if the manager of CEP III, a wholly owned subsidiary of Clairvest, concurrently sells a proportionate number of securities of that corporate investment held by CEP III. Included in the commitment to co-invest with CEP III is an \$8.0 million commitment to Casino New Brunswick, \$3.7 million of which has been funded at June 30, 2009.

Clairvest has committed \$25.0 million to Wellington Fund III, \$12.5 million of which has been funded to June 30, 2009. As a result of the closing of Wellington Fund III, any unfunded capital commitments to Wellington Fund II were extinguished. At June 30, 2009, net funds invested in Wellington Fund II were \$0.5 million. At June 30, 2009, Clairvest has earned profit distributions totaling \$1.9 million through its ownership interest in the general partners of the Wellington Funds. Clairvest has guaranteed, up to the amounts received from the respective general partners, the clawback provisions entered into by the general partners in the event the limited partners of the Wellington Funds do not meet their preferred rate of return as specified in the respective Limited Partnership Agreement.

Clairvest has guaranteed up to \$3.0 million of CEP's obligations to a Schedule 1 Canadian chartered bank under CEP's foreign exchange forward contracts with the bank.

Clairvest and CEP III entered into a US\$13.0 million credit facility agreement with a Schedule 1 Canadian chartered Bank to allow Clairvest and CEP III to enter into foreign exchange contracts. Clairvest and CEP III are jointly and severally liable on this credit facility.

Under Clairvest's Management Incentive Bonus Program (the "Program"), a bonus of 10% of after-tax cash income and realizations on certain Clairvest's corporate investments would be paid to management as a bonus annually as applicable. Amounts are accrued under this Program to the extent that the cash income and investment realizations have occurred and the bonus has become payable. At June 30, 2009, \$3.7 million has been accrued under the Program, \$2.9 million of which pertains to fiscal 2009 and was paid subsequent to quarter end. If Clairvest were to sell its corporate investments at their current fair values, an additional bonus of \$0.2 million would be owing to management under this Program. As no such realizations have occurred and the terms of the bonus plan with respect to these corporate investments have not yet been fulfilled, the additional \$0.2 million has not been accrued at June 30, 2009. The Program does not apply to the income generated from investments made by Clairvest through Clairvest LP.

Clairvest enters into foreign exchange forward contracts to manage the risks arising from fluctuations in exchange rates on its foreign denominated investments. At June 30, 2009, Clairvest had entered into forward contracts to sell US\$36.5 million at rates of Canadian \$1.1487 to \$1.2555 per U.S. dollar through April 2010. The fair value of these US dollar contracts at June 30, 2009 is a gain of \$1.1 million. These contracts have been recognized on the consolidated balance sheet as derivative instruments. US\$7.7 million of these forward contracts are in anticipation of future growth in value of the Company's U.S. denominated investments. The fair value of these contracts at June 30, 2009 is a gain of \$30,000.

Clairvest has also entered into forward contracts to sell Chilean UF0.7 million at rates of Canadian \$41.7943 to \$43.9144 per UF through January 2010. The fair value of these Chilean UF contracts at June 30, 2009 is a loss of \$2.7 million. These contracts have been recognized on the consolidated balance sheet as derivative instruments.

During fiscal 2006, Clairvest and a wholly-owned subsidiary sold their interests in Signature Security Group Holdings Pty Limited ("Signature") and a related company as part of a sale of 100% of Signature and the related company. As part of the transaction, the subsidiary has indemnified the purchaser for various potential claims which will reduce over time.

Clairvest, together with CEP, has guaranteed to fund any operating deficiencies of the Tsuu T'ina charitable casino for a specified period of time. The amount of the guarantee is allocated 75% to CEP, to the extent that the amounts paid thereunder are within the limits of the CEP Limited Partnership Agreement, with the remainder being allocated to Clairvest. Any amounts paid under the guarantee will result in additional debentures being granted to Clairvest and CEP, allocated on the same basis as the participation between Clairvest and CEP in the guarantee funding. As at June 30, 2009, no amounts subject to this guarantee have been funded.

Clairvest, together with CEP III, has guaranteed to fund 50% of any operating deficiencies upon the opening of Casino del Sol for a specified period of time. Amounts paid under the guarantee will be allocated to CEP III to the extent that the amounts paid thereunder are within the limits of the CEP III Limited Partnership Agreement, with the remainder being allocated to Clairvest. Any amounts paid under the guarantee will result in additional equity being granted to Clairvest and CEP III, allocated on the same basis as the participation between Clairvest and CEP III in the guarantee funding. As at June 30, 2009, no amounts subject to this guarantee have been funded.

As part of the holding structure of Casino del Sol, Clairvest, together with CEP III, borrowed \$32.9 million through an acquisition entity from an unrelated financial institution, while another acquisition entity deposited \$32.9 million with the financial institution as security for the loan. Clairvest intends to settle the loan, the deposit and related interest accruals simultaneously upon the divestiture of the investment in Casino del Sol, and as a result, the deposit and the loan, and the interest revenue and expense have been presented on a net basis. Clairvest's ownership of both acquisition vehicles was 23.8% at June 30, 2009, with CEP III owning 71.5% and the remaining owned by unrelated third party investors.

As part of the holding structure of Latin Gaming Osorno S.A. ("Casino Osorno"), Clairvest borrowed \$14.7 million through an acquisition entity from an unrelated financial institution, while another acquisition entity deposited \$14.7 million with the financial institution as security for the loan. Clairvest intends to settle the loan, the deposit and related interest accruals simultaneously upon the divestiture of the investment in Casino Osorno, and as a result, the deposit and the loan, and the interest revenue and expense have been presented on a net basis. Clairvest's ownership of both acquisition vehicles was 100% at June 30, 2009.

As part of the holding structure of Latin Gaming Chile S.A. ("Latin Gaming Chile"), Clairvest borrowed \$4.9 million through an acquisition entity from an unrelated financial institution, while another acquisition entity deposited \$4.9 million with the financial institution as security for the loan. Clairvest intends to settle the loan, the deposit and related interest accruals simultaneously upon the divestiture of the investment in Latin Gaming Chile, and as a result, the deposit and the loan, and the interest revenue and expense have been presented on a net basis. Clairvest's ownership of both acquisition vehicles was 100% at June 30, 2009.

In connection with its normal business operations, Clairvest is from time to time named as a defendant in actions for damages and costs allegedly sustained by plaintiffs. While it is not possible to estimate the outcome of the various proceedings at this time, Clairvest does not believe that it will incur any material losses in connection with such actions.

SUBSEQUENT EVENTS

Subsequent to quarter end, Clairvest completed the first closing of its new private equity investment pool which is comprised of a co-investment commitment from Clairvest and a new limited partnership, Clairvest Equity Partners IV Limited Partnership ("CEP IV"). The amount of the first closing was \$200 million, half of which was committed by Clairvest. Clairvest has the right to increase its commitment to \$125 million prior to the end of the fundraising period.

CURRENT ENVIRONMENT

Economic conditions continue to be difficult during the first quarter of fiscal 2010. Clairvest, however, is in a strong capital position to benefit from this challenging and volatile market environment.

The merchant banking business involves accepting risk for potential return, and is therefore affected by a number of economic factors, including changing economic environments, capital markets and interest rates. Clairvest continually reviews and adjusts its investment strategy and its capital resource allocation policies considering, amongst other factors, market conditions. The current environment is being carefully considered with respect to its impact on Clairvest's business.

Clairvest's current liquidity position allows the Company to support its investee companies as appropriate and to take advantage of the current economic environment. The Company maintains a conservative liquidity position that exceeds all liabilities payable on demand. The Company invests its cash equivalents and temporary investments in liquid assets such that they are available to cover any potential funding commitments and guarantees. In addition, the Company maintains a credit facility with a Schedule 1 Canadian chartered bank.

As of June 30, 2009, Clairvest's corporate investment portfolio is diversified across 11 companies in 6 industries and 3 countries. Concentration risk by industry and by country is disclosed in note 13 to the interim financial statements. Certain industries, particularly the automotive related industry, the oil field service industry and the financial services

industry, may experience a significant negative impact to their profitability and liquidity positions given the current economic turmoil. The Company has considered these economic events and indicators in the valuation of its corporate investments.

A number of investee companies may also be subject to foreign exchange risk. A significant change in foreign exchange rates can have an impact to the profitability of these entities and in turn the Company's carrying value of these corporate investments. Certain of the Company's corporate investments are also held in the form of subordinated debentures. Significant fluctuations in market interest rates can have a significant impact in the carrying value of these investments.

Clairvest also actively reviews its hedging strategy to ensure the values of all foreign denominated investments are protected against currency fluctuations. The Company manages counterparty credit risk on derivative financial instruments by only contracting with counterparties which are Schedule 1 Canadian chartered banks.

Clairvest is also subject to credit risk on its accounts receivables, the majority of which is with its investee companies. The Company manages this risk through its oversight responsibilities with existing investee companies and by reviewing the financial condition of investee companies regularly.

Clairvest considers the capital it manages to be the amounts it has in cash, cash equivalents, temporary investments and corporate investments. Clairvest also manages the third-party capital invested in CEP and CEP III. At June 30, 2009, Clairvest had cash, cash equivalents and temporary investments of \$179.1 million, in addition to \$96.9 million of corporate investments. Clairvest also had access to \$124.5 million of uncalled committed third-party capital for acquisitions through CEP and CEP III at June 30, 2009, which was increased to \$224.5 million subsequent to quarter end as a result of the first closing of CEP IV. Clairvest's objectives in managing capital are disclosed in note 14 to the interim financial statements.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

During the first quarter of fiscal 2010, Clairvest continued to evaluate the impact of adopting International Financial Reporting Standards ("IFRS") and is in the process of developing a transition plan to IFRS. At June 30, 2009, the Company has not yet determined the impact of IFRS on Clairvest's consolidated financial statements.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

In accordance with National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings", issued by the Canadian Securities Administrators ("CSA"), management has evaluated the effectiveness of Clairvest's disclosure controls and procedures as of June 30, 2009. Management has concluded that the disclosure controls and procedures are effective as of June 30, 2009 based on this evaluation.

National Instrument 52-109 also requires certification from the Chief Executive Officers and Chief Financial Officer to certify their responsibilities for establishing and maintaining internal controls with regards to the reliability of financial reporting and the preparation of financial statements in accordance with Canadian generally accepted accounting principles. Management has evaluated Clairvest's design effectiveness of internal controls over financial reporting for the quarter ended June 30, 2009. Management has concluded that the design effectiveness of internal controls over financial reporting are effective as of June 30, 2009 based on this evaluation. No changes were made to internal controls over financial reporting during the quarter ended June 30, 2009 that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

A number of the matters discussed in this MD&A deal with potential future circumstances and developments and may constitute “forward-looking” statements. These forward-looking statements can generally be identified as such because of the context of the statements and often include words such as the Company “believes”, “anticipates”, “expects”, “plans”, “estimates” or words of a similar nature.

The forward-looking statements are based on current expectations and are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The impact of any one risk factor on a particular forward-looking statement is not determinable with certainty as such factors are interdependent upon other factors, and management’s course of action would depend upon its assessment of the future considering all information then available.

All subsequent forward-looking statements, whether written or oral, attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. The Company assumes no obligation to update forward-looking statements should circumstances or management’s estimates or opinions change.

CLAIRVEST GROUP INC.
CONSOLIDATED BALANCE SHEETS
(unaudited)

\$000's	June 30	March 31
	2009	2009
Assets		
Cash and cash equivalents (Notes 4, 10 and 13)	\$ 106,788	\$ 112,272
Temporary investments (Notes 4 and 13)	72,357	72,140
Accounts receivable and other assets (Note 8f)	13,737	8,463
Income taxes receivable	5,625	189
Loans receivable (Notes 8g and 8h)	8,641	8,549
Derivative instruments (Notes 11 and 13)	1,050	—
Future tax asset	3,582	3,526
Corporate investments (Notes 6 and 13)	96,856	102,865
	\$ 308,636	\$ 308,004
Liabilities		
Accounts payable and accrued liabilities (Notes 8f, 9 and 12f)	\$ 9,708	\$ 7,932
Income taxes payable	1,440	2,025
Dividends payable	1,595	—
Derivative instruments (Notes 11 and 13)	2,664	5,523
Future tax liability	4,271	4,049
Stock-based compensation (Note 9)	4,508	3,092
	24,186	22,621
Contingencies, commitments and guarantees (Notes 3, 11 and 12)		
Shareholders' Equity		
Share capital (Note 7)	82,823	82,823
Retained earnings	201,627	202,560
	284,450	285,383
	\$ 308,636	\$ 308,004

(see accompanying notes to interim consolidated financial statements)

CLAIRVEST GROUP INC.
CONSOLIDATED STATEMENTS OF INCOME
For the quarters ended June 30
(unaudited)

\$000's (except per share information)	2009	2008
Net corporate investment gains (losses)		
Net realized gains on corporate investments (Note 5)	\$ 195	\$ 24,768
Net unrealized gains (losses) on corporate investments (Note 6)	(1,102)	1,031
	<u>(907)</u>	<u>25,799</u>
Other income		
Distributions and interest income (Note 8)	6,378	3,214
Dividend income	69	352
Management fees (Note 8a)	255	334
Advisory and other fees (Note 8i)	208	174
	<u>6,910</u>	<u>4,074</u>
Expenses		
Administration and other expenses (Note 9)	(5,893)	(5,622)
Finance and foreign exchange (expenses) gains	332	(166)
	<u>(5,561)</u>	<u>(5,788)</u>
Income (loss) before income taxes	442	24,085
Income tax (expense) recovery	220	(3,771)
Net income	\$ 662	\$ 20,314
Basic net income per share	\$ 0.04	\$ 1.27
Fully-diluted net income per share	\$ 0.04	\$ 1.23

(see accompanying notes to interim consolidated financial statements)

CLAIRVEST GROUP INC.
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
For the quarters ended June 30
(unaudited)

\$000's	2009	2008
Retained earnings, beginning of period	\$ 202,560	\$ 188,066
Net income for the period	662	20,314
	<u>203,222</u>	<u>208,380</u>
Dividends declared	(1,595)	(11,594)
Retained earnings, end of period	\$ 201,627	\$ 196,786

(see accompanying notes to interim consolidated financial statements)

CLAIRVEST GROUP INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the quarters ended June 30
(unaudited)

\$000's	2009	2008
Operating activities		
Net income	\$ 662	\$ 20,314
Add (deduct) items not involving a current cash outlay		
Amortization of fixed assets	75	73
Stock-based compensation expense	1,416	821
Future income tax expense (recovered)	166	(83)
Net realized gains on corporate investments	(195)	(24,768)
Net unrealized losses (gains) on corporate investments	1,102	(1,031)
Non-cash items relating to foreign exchange forward contracts	(2,961)	(1,906)
Non-cash items relating to corporate investments	2,600	1,769
	<u>2,865</u>	<u>(4,811)</u>
Net change in non-cash working capital balances related to operations (Note 10)	<u>(9,594)</u>	<u>1,620</u>
Cash used in operating activities	<u>(6,729)</u>	<u>(3,191)</u>
Investing activities		
Acquisition of corporate investments	(1,893)	(7,341)
Proceeds on corporate investments	4,394	27,558
Return of capital from corporate investments	—	60
Proceeds on realization (cost) of foreign exchange forward contracts	(948)	(151)
Net proceeds on sale of temporary investments	(217)	(11,699)
Loans advanced (Notes 8g and 8h)	(5,852)	(5,521)
Receipt of loans advanced (Notes 8g and 8h)	5,761	23,173
Cash provided by investing activities	<u>1,245</u>	<u>26,079</u>
Financing activities		
Cash dividends paid	—	(10,000)
Receipt of loans	—	1,083
Cash used in financing activities	<u>—</u>	<u>(8,917)</u>
Net increase (decrease) in cash and cash equivalents	<u>(5,484)</u>	<u>13,971</u>
Cash and cash equivalents, beginning of period	<u>112,272</u>	<u>57,320</u>
Cash and cash equivalents, end of period (Note 10)	<u>\$ 106,788</u>	<u>\$ 71,291</u>
Supplemental cash flow information		
Income taxes paid	\$ 5,741	\$ 3,161
Interest paid	\$ 880	\$ —

(see accompanying notes to interim consolidated financial statements)

CLAIRVEST GROUP INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2009 (Tabular Dollar Amounts in Thousands)
(unaudited)

1. NATURE OF ACTIVITIES AND BASIS OF PRESENTATION

The disclosures contained in these unaudited interim consolidated financial statements of Clairvest Group Inc. ("Clairvest" or the "Company") do not include all requirements of generally accepted accounting principles for annual financial statements. The unaudited interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended March 31, 2009.

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim consolidated financial statements for the quarter ended June 30, 2009.

In accordance with Accounting Guideline 18 ("AcG-18"), the Company designated its temporary investments and its corporate investments as held-for-trading and carries them at fair value. Clairvest has also designated its receivables and payables as held-for-trading in accordance with the Canadian Institute of Chartered Accountants Handbook ("CICA Handbook") Section 3855. Accordingly, each of Clairvest's financial assets and liabilities is fair valued on each consolidated balance sheet date.

When a financial asset or liability is initially recognized, its fair value is generally the value of consideration paid or received. Subsequent to initial recognition, the fair value of an investment quoted on an active market is generally the bid price on the principal exchange the investment is traded on. Investments that are escrowed or otherwise restricted on sale or transfer are recorded at fair values which take into account the escrow terms or other restrictions. In determining the fair value for such investments, the Company considers the nature and length of the restriction, business risk of the investee company, its stage of development, market potential, relative trading volume and price volatility, liquidity and collateral of the security and the size of Clairvest's ownership block as well as any other factors that may be relevant to the ongoing and realizable value of the investments. The amounts at which Clairvest's publicly-traded investments could be disposed of may differ from this fair value and the differences could be material. Differences could arise as the value at which significant ownership positions are sold is often different than the quoted market price due to a variety of factors such as premiums paid for large blocks or discounts due to illiquidity. Estimated costs of disposition are not included in the fair value determination.

In the absence of an active market, the fair values are determined by management using the appropriate valuation methodologies after considering the history and nature of the business; operating results and financial conditions; the general economic, industry and market conditions; capital market and transaction market conditions; contractual rights relating to the investment; public market comparables; private market transactions multiples and, where applicable, other pertinent considerations. The process of valuing investments for which no active market exists is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been used had an active market existed. The amounts at which Clairvest's privately-held investments could be disposed of may differ from the fair value assigned and the differences could be material. Estimated costs of disposition are not included in the fair value determination.

In determining the fair value of public company warrants, the underlying security for which is traded on a recognized securities exchange, and if there are sufficient and reliable observable market inputs, including exercise price and term of the warrants, market interest rate, and current market price, expected dividends and volatility of the underlying security, a valuation technique is used. If market inputs are insufficient or unreliable, the warrants are valued at intrinsic value, which is equal to the higher of the closing bid price of the underlying security, less the exercise price of the warrant, or nil. For private company warrants, the

underlying security for which is not traded on a recognized securities exchange, the fair value is determined consistently with other investments which do not have an active market as described above.

The unaudited interim consolidated financial statements are based upon accounting principles consistent with those used and described in the annual audited consolidated financial statements.

2. ADOPTION OF NEW ACCOUNTING POLICIES

Effective fiscal 2010, the Company adopted the Emerging Issues Committee Abstract 173 (“EIC-173”), “Credit Risk and the Fair Value of Financial Assets and Financial Liabilities”. EIC-173 requires the Company’s own credit risk and the credit risk of the counterparty to be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The adoption of EIC 173 did not have a significant impact on the consolidated financial statements.

In February 2008, the Canadian Accounting Standards Board confirmed that the use of International Financial Reporting Standards (“IFRS”) will be required for Canadian publicly accountable enterprises for years beginning on or after January 1, 2011. As a result, Clairvest must adopt IFRS commencing April 1, 2011. Clairvest is currently evaluating the impact of adopting IFRS.

3. BANKING FACILITY

Clairvest has a \$20.0 million line of credit available, bearing interest at prime plus 0.5%. The line of credit available at June 30, 2009 is \$20.0 million (2009 – \$20.0 million) and is based on debt covenants within the banking arrangement. No amounts were drawn during the quarter.

4. CASH EQUIVALENTS AND TEMPORARY INVESTMENTS

Cash equivalents consist of term deposits and fixed income mutual funds which have maturities less than 90 days from the date of purchase.

Temporary investments have maturities greater than 90 days from the date of acquisition and through to April 2012. Temporary investments consist of corporate bonds guarantee investment contracts and preferred shares. The yield on these investments ranges between 2.1% and 5.6% (2009 – between 2.7% and 5.6%) with a weighted average rate of pre-tax return of 3.5% (2009 – 3.7%).

	June 30, 2009			March 31, 2009
	Due in 1 year or less	Due after 1 year	Total	Total
Corporate Bonds	\$ 4,084	\$ 43,866	\$ 47,950	\$ 51,585
Guarantee Investment Contracts	—	21,894	21,894	—
Preferred Shares	—	2,513	2,513	5,507
Term Deposits	—	—	—	15,048
Total	\$ 4,084	\$ 68,273	\$ 72,357	\$ 72,140

5. NET CORPORATE INVESTMENT GAINS (LOSSES)

Net realized gains (losses) on corporate investments for the quarters ended June 30 are comprised of the following:

\$000's	2009	2008
Net realized gains (losses) on corporate investments	\$ (3,901)	\$ 26,765
Previously recognized net unrealized (gains) losses	4,096	(1,997)
	\$ 195	\$ 24,768

6. CORPORATE INVESTMENTS

	June 30, 2009			March 31, 2009		
	Fair value	Cost	Difference	Fair value	Cost	Difference
Casino Marina del Sol	\$ 11,706	\$ 10,624	\$ 1,082	\$ 11,571	\$ 10,624	\$ 947
Casino New Brunswick	3,724	3,724	—	2,342	2,342	—
Kubra Data Transfer Limited	5,504	2,150	3,354	5,962	2,150	3,812
Landauer Metropolitan Inc.	5,539	4,148	1,391	5,015	3,636	1,379
Latin Gaming Chile S.A.	10,696	9,132	1,564	11,461	9,132	2,329
Latin Gaming Osorno S.A.	19,050	16,618	2,432	18,830	16,618	2,212
Light Tower Rentals Inc.	6,793	5,884	909	7,368	5,884	1,484
Lyophilization Services of New England Inc.	4,439	6,454	(2,015)	6,068	6,454	(386)
N-Brook Mortgage LP	2,625	5,037	(2,412)	3,115	5,037	(1,922)
Tsui Tina Gaming Limited Partnership	7,623	5,625	1,998	7,603	5,625	1,978
Van-Rob Inc.	3,750	5,000	(1,250)	3,750	5,000	(1,250)
Wellington Financial Fund II	696	485	211	986	726	260
Wellington Financial Fund III	13,211	12,476	735	13,110	12,476	634
	95,356	87,357	7,999	97,181	85,704	11,477
Other investments	1,500	239	1,261	5,684	4,772	912
	96,856	87,596	9,260	102,865	90,476	12,389

The cost and fair value of corporate investments do not reflect foreign exchange gains or losses on the foreign exchange forward contracts entered into as hedges against these investments. Details of significant events are described below.

During the first quarter of fiscal 2010, Clairvest funded an additional \$1.4 million of its \$8.0 million commitment to invest in Casino New Brunswick in the form of debentures, which are non-interest bearing until Casino New Brunswick opens and bear interest at a rate of 8% per annum thereafter. At June 30, 2009, the total amount funded was \$3.7 million.

During the first quarter of fiscal 2010, Clairvest acquired an additional 252,087 common shares of Landauer Metropolitan Inc. ("Landauer") for \$0.5 million. As result of the follow on investment, Clairvest's interest in Landauer increased to 13.9% on a fully-diluted basis.

During the first quarter of fiscal 2010, Clairvest determined that the carrying value of Lyophilization Service of New England Inc. ("LSNE") should be written down a further \$1.2 million as a result of the continuing uncertainty of its outlook.

During the first quarter of fiscal 2010, Clairvest determined that the carrying value of N-Brook Mortgage LP should be written down a further \$0.5 million as a result of the continuing uncertainty of its outlook.

During fiscal 2009, Shepell•fgi sold substantially all of its assets to an unrelated third party. Clairvest received cash proceeds of \$26.1 million at closing, and non-interest bearing promissory notes secured by the acquirer for an additional \$15.3 million, payable through to July 2010, \$9.7 of which had been repaid during

fiscal 2009 at a slight discount. A further \$4.4 million of the promissory notes were repaid by the acquirer during the first quarter of fiscal 2010. Further repayment of the remaining \$1.1 million promissory notes is subject to satisfaction of certain items in the purchase documentation, all of which may be received in the form of the acquirer's equity at the option of the acquirer. The remaining promissory notes are included in other investments and are carried at a fair value of \$0.9 million, which was determined by discounting the face value of the promissory notes at 20% per annum from their maturity dates.

7. SHARE CAPITAL

During the fourth quarter of fiscal 2009, the Company filed a normal course issuer bid enabling it to make purchases of up to 797,678 common shares in the 12-month period ending March 5, 2010. The Company made no purchases under this and previous issuer bid. In total 2,544,424 common shares at a cost of \$21.9 million have been purchased under this, and previous, normal course issuer bids as of June 30, 2009. An additional 934,200 common and 2,230,954 non-voting shares have been purchased for cancellation from a financial institution outside of the normal course issuer bid.

15,953,566 common shares were outstanding at June 30, 2009.

8. RELATED PARTY TRANSACTIONS

- (a) A wholly-owned subsidiary of Clairvest ("GP I") has entered into a Management Agreement with the General Partner of Clairvest Equity Partners Limited Partnership ("CEP"), appointing GP I as the Manager of CEP. The General Partner is another wholly owned subsidiary of Clairvest. The Management Agreement provides that a management fee be paid to GP I as compensation for its services in the administration of the portfolio of CEP. The fee was calculated annually as 2% of committed capital until the fifth anniversary of the last closing of CEP (August 21, 2006), and thereafter at 2% of contributed capital less distributions on account of capital and any write-downs of capital invested. The management fee is reduced to the extent of 75% of fees earned by Clairvest or GP I from corporate investments of CEP. During the first quarter of fiscal 2010, GP I earned net management fees of \$0.3 million (2009 – \$0.3 million) as compensation for its services in the administration of the portfolio of CEP. As per the Management Agreement, fees of \$0.1 million (2009 – \$0.1 million) from corporate investments of CEP were netted against the management fees.
- (b) The General Partner of CEP is entitled to participate in distributions made by CEP equal to 20% of net gains of CEP. These distributions to the General Partner will be determined based on the overall performance of CEP and no such distributions are permitted until CEP's limited partners have received amounts equal to the sum of their contributed capital and a return equal to 6% per annum compounded annually. The distributions received by the General Partner of CEP will be allocated 50% to each of its limited partners one of which is another wholly owned subsidiary of Clairvest ("Clairvest Subsidiary"), and the other of which is another limited partnership (the "Participation Partnership"). The limited partners of the Participation Partnership are principals and employees of Clairvest and GP I (the "Participation Investors"). The Participation Investors have purchased, at fair market value, units of the Participation Partnership. From time to time, additional units in the Participation Partnership may be purchased by the Participation Investors. During the quarter, CEP declared \$6.8 million (2009 – nil) of distributions to the General Partner, 50% of which, or \$3.4 million, belongs to Clairvest Subsidiary and is included in accounts receivable and other assets. The amount was received by Clairvest Subsidiary subsequent to the quarter end. At June 30, 2009, CEP has declared distributions to the General Partner totaling \$9.7 million, 50% of which, or \$4.9 million, belongs to Clairvest Subsidiary. If CEP were to sell its corporate investments at their current fair values, the General Partner would receive up to a further \$11.9 million of distributions, 50% of which, or \$6.0 million, would be payable to Clairvest Subsidiary.
- (c) Clairvest is also the parent company of the two General Partners of CEP III (GP I and "GP II"). GP I is entitled to priority distribution from CEP III. The priority distribution is calculated monthly as 0.1667% of committed capital until the fifth anniversary of the month in which CEP III made its first investment (August 2006), and thereafter 0.1667% of contributed capital net of any write-downs of capital invested. The priority distribution is reduced to the extent of 75% of fees earned by GP I from corporate investments of CEP III. During the first quarter of fiscal 2010, CEP III declared to GP I net priority distributions of \$1.0 million

(2009 – \$1.0 million). As per the Limited Partnership Agreement, fees of \$0.1 million (2009 – \$0.1 million) from corporate investments of CEP III were netted against the priority distributions. GP I is also entitled to distributions made by CEP III equal to 2% of gains of CEP III determined as described in note 8(d) below. To date, CEP III has not made any distributions to GP I other than priority distributions.

- (d) GP II, a limited partnership, the general partner of which is a wholly-owned subsidiary of Clairvest, is entitled to participate in distributions made by CEP III equal to 18% of net gains of CEP III. These distributions to GP II, and GP I as noted in note 8(c) above, will be determined based on the overall performance of CEP III. No such distributions are permitted until CEP III's limited partners have received amounts equal to the sum of their contributed capital and a return equal to 8% per annum compounded annually. To date, CEP III has not made any distributions to GP II. If CEP III were to sell its corporate investments at their current fair values, no distributions would be paid to GP I and GP II. Any distributions received by GP II will be allocated to each of its two limited partners, one of which is a wholly-owned subsidiary of Clairvest which will receive 44.4% of such distributions, and the other of which is another limited partnership (the "Participation III Partnership") which will receive 55.6% of such distributions. The limited partners of the Participation III Partnership are principals and employees of Clairvest and GP I (the "Participation III Investors"). The Participation III Investors have purchased, at fair market value, units of the Participation III Partnership. From time to time, additional units in the Participation III Partnership may be purchased by Participation III Investors.
- (e) GP II is also entitled to a carried interest in respect of CEP III Co-Investment Limited Partnership ("Clairvest LP") of 10% to June 23, 2008 and 8.25% thereafter. Clairvest LP was established in 2006 as the investment vehicle through which Clairvest would co-invest alongside CEP III. Distributions received by GP II from Clairvest LP will be allocated 100% to the Participation III Partnership.
- (f) Included in accounts receivable and other assets are share purchase loans made to certain officers of the Company and GP I totaling \$0.7 million (2009 – \$0.7 million). The share purchase loans bear interest fixed at the prime rate on the date of drawdown less 1%, interest is paid annually, and the loans have full recourse and are collateralized by the common shares of the Company purchased by the officers with a market value of \$0.6 million (2009 – \$0.5 million). Also included in accounts receivable and other assets are other loans made to certain officers of a company affiliated with Clairvest totaling \$0.6 million (2009 – \$0.6 million). The loans to officers of a company affiliated with Clairvest bear interest at rates commensurate with prime, and interest is paid quarterly. Loans are repayable upon departure of the officer. Interest of \$13,000 was earned on the loans during the quarter. Also included in accounts receivable and other assets are receivables of \$2.5 million (2009 – \$2.2 million) from Clairvest's investee companies, from CEP totaling \$5.8 million (2009 – 1.8 million) and from CEP III totaling \$2.1 million (2009 – \$1.2 million). Included in accounts payable and accrued liabilities is \$0.3 million (2009 – \$0.5 million) owing to Clairvest's investee companies.
- (g) Loans totaling \$1.5 million, bearing interest at the prime rate made by the Company to CEP during the first quarter of fiscal 2010 were repaid in full during the quarter.
- (h) Loans totaling \$4.3 million, bearing interest at the prime rate, were made by the Company to CEP III during the first quarter of fiscal 2010, and \$4.2 million of loans were repaid by CEP III during the quarter. The total amount of loans outstanding to CEP III at June 30, 2009 was \$8.6 million, all of which was repaid subsequent to quarter end. Interest of \$9,000 was earned from loans to CEP III during the first quarter of fiscal 2010.
- (i) During the first quarter of fiscal 2010, Clairvest earned \$0.4 million (2009 – \$0.7 million) in distributions and interest income and \$0.2 million in fee income (2009 – \$0.2 million) from its investee companies.

9. STOCK-BASED COMPENSATION AND OTHER COMPENSATION PLANS

During the first quarter of fiscal 2010, 35,000 options were exercised under the cash settlement plan for \$0.3 million, \$0.2 million of which had been accrued in previous quarters. Also during the first quarter of fiscal 2010, 35,000 options with a strike price of \$12.63 and an expiry date of June 2019 were granted by the company to certain employees of GP I.

At June 30, 2009, a total of 1,082,000 options were outstanding under Clairvest's stock option plan.

As a result of a cash settlement feature in Clairvest's stock option plan, Clairvest recognizes compensation expense based upon the intrinsic value of the outstanding stock options at the balance sheet date, and the proportion of their vesting periods that have elapsed. For the quarter ended June 30, 2009, Clairvest recognized a stock-based compensation expense of \$1.7 million.

As at June 30, 2009, \$4.5 million (2009 – 3.1 million) has been accrued under the Company's stock option plan.

As at June 30, 2009, a total of 145,354 (2009 – 123,636) Deferred Share Units were held by directors of the Company, the accrual in respect of which was \$2.0 million (2009 – \$1.4 million) and has been included in accounts payable and accrued liabilities. For the quarter ended June 30, 2009, Clairvest recognized an expense of \$0.5 million with respect to Deferred Share Units.

As at June 30, 2009, 105,000 (2009 – 105,000) Appreciation Deferred Share Units were held by directors of the Company, the accrual in respect of which is \$23,000 (2009 – nil) and has been included in accounts payable and accrued liabilities. For the quarter ended June 30, 2009, Clairvest recognized an expense of \$23,000 with respect to Appreciation Deferred Share Units.

As at June 30, 2009, a total of 566,000 (2009 – 432,000) Book Value Appreciation Rights Units were held by employees of Clairvest and a company affiliated with Clairvest, the accrual in respect of which was \$1.9 million (2009 – \$1.5 million) and has been included in accounts payable and accrued liabilities. For the quarter ended June 30, 2009, Clairvest recognized an expense of \$0.4 million with respect to Book Value Appreciation Rights Units.

10. CONSOLIDATED STATEMENTS OF CASH FLOWS

Net change in non-cash working capital balances related to operations at June 30 is detailed as follows:

	2009	2008
Accounts receivable and other assets	\$ (5,349)	\$ (481)
Income taxes receivable	(5,436)	(102)
Accounts payable and accrued liabilities	1,776	1,406
Income taxes payable	(585)	797
	\$ (9,594)	\$ 1,620

Cash and cash equivalents at the balance sheet dates are comprised of the following:

	June 30	March 31
	2009	2009
Cash	\$ 6,140	\$ 61,134
Cash equivalents	100,648	51,138
	\$ 106,788	\$ 112,272

11. DERIVATIVE INSTRUMENTS

As at June 30, 2009, the Company had entered into foreign exchange forward contracts as hedges against its foreign investments as follows:

Forward contracts to sell US\$36.5 million (2009 – US\$36.1 million) at rates of Canadian \$1.1487 to \$1.2555 per U.S. dollar through April 2010 (average rate of \$1.1918; 2009 – average rate of \$1.1722). The fair value of these contracts at June 30, 2009 is a gain of \$1.1 million (2009 – \$3.2 million loss) and has been recognized on the consolidated balance sheet as derivative instruments. US\$7.7 million (2009 – US\$7.1 million) of these forward contracts are in anticipation of future growth in the value of Clairvest's U.S. denominated investments, as described in Note 13.

Forward contracts to sell Chilean Unidad de Fomento ("UF") 0.7 million (2009 – UF0.7 million) at rates of Canadian \$41.7943 to \$43.9144 per UF through January 2010 (average rate of \$41.8148; 2009 – average rate of \$41.8148). The fair value of these contracts at June 30, 2009 is a loss of \$2.7 million (2009 – \$2.3 million) and has been recognized on the consolidated balance sheet as derivative instruments.

12. CONTINGENCIES, COMMITMENTS AND GUARANTEES

- (a) Clairvest has committed to co-invest alongside CEP in all investments undertaken by CEP. Clairvest's total co-investment commitment is \$54.7 million, \$3.5 million (2009 – \$4.0 million) of which remains unfunded at June 30, 2009. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP if the manager of CEP, a wholly owned subsidiary of Clairvest, concurrently sells a proportionate number of securities of that corporate investment held by CEP.
- (b) Clairvest has also committed to co-invest alongside CEP III in all investments undertaken by CEP III. Clairvest's total co-investment commitment is \$75.0 million, \$38.0 million (2009 – \$39.8 million) of which remains unfunded at June 30, 2009. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP III if the manager of CEP III, a wholly owned subsidiary of Clairvest, concurrently sells a proportionate number of securities of that corporate investment held by CEP III. Included in the commitment to co-invest with CEP III is an \$8.0 million commitment to Casino New Brunswick, \$3.7 million (2009 – \$2.3 million) of which has been funded at June 30, 2009.
- (c) Clairvest has also committed \$25.0 million to Wellington Financial Fund III ("Wellington Fund III"), \$12.5 million (2009 – \$12.5 million) of which has been funded at June 30, 2009. As a result of the closing of Wellington Fund III, any unfunded capital commitments to Wellington Financial Fund II ("Wellington Fund II") were extinguished. At June 30, 2009, net funds invested in Wellington Fund II were \$0.5 million (2009 – \$0.7 million). At June 30, 2009, Clairvest has received profit distributions totaling \$1.9 million (2009 – \$2.0 million) through its ownership interest in the general partner of Wellington Fund II and Wellington Fund III (the "Wellington Funds"). Clairvest has guaranteed, up to the amounts received from the respective general partners, the clawback provisions entered into by the general partners in the event the limited partners of the Wellington Funds do not meet their preferred rate of return as specified in the respective Limited Partnership Agreement.
- (d) Clairvest has guaranteed up to \$3.0 million of CEP's obligations to a Schedule 1 Canadian chartered bank under CEP's foreign exchange forward contracts with the bank.
- (e) Clairvest and CEP III entered into a US\$13.0 million credit facility agreement with a Schedule 1 Canadian chartered bank to allow Clairvest and CEP III to enter into foreign exchange contracts. Clairvest and CEP III are jointly and severally liable on this credit facility.
- (f) Under Clairvest's Incentive Bonus Program (the "Program"), a bonus of 10% of after-tax cash income and realizations on certain Clairvest's corporate investments would be paid to management as a bonus annually as applicable. Amounts are accrued under this Program to the extent that the cash income and investment realizations have occurred and the bonus has become payable. At June 30, 2009, \$3.7 million (2008 – \$2.8 million) has been accrued under the Program, \$2.9 million of which pertains to fiscal 2009 and was paid

subsequent to quarter end. If Clairvest were to sell its corporate investments at their current fair values, an additional bonus of \$0.2 million would be owing to management under this Program. As no such realizations have occurred and the terms of the bonus plan with respect to these corporate investments have not yet been fulfilled, the additional \$0.2 million has not been accrued at June 30, 2009. The Program does not apply to the income generated from investments made by Clairvest through Clairvest LP.

- (g) During fiscal 2006, Clairvest and a wholly-owned subsidiary sold their interests in Signature Security Group Holdings Pty Limited (“Signature”) and a related company as part of a sale of 100% of Signature and the related company. As part of the transaction, the wholly-owned subsidiary has indemnified the purchaser for various potential claims which will reduce over time.
- (h) Clairvest, together with CEP, has guaranteed to fund any operating deficiencies of the Tsuu T’ina charitable casino for a specified period of time. The amount of the guarantee is allocated 75% to CEP, to the extent that the amounts paid thereunder are within the limits of the CEP Limited Partnership Agreement, with the remainder being allocated to Clairvest. Any amounts paid under the guarantee will result in additional debentures being granted to Clairvest and CEP, allocated on the same basis as the participation between Clairvest and CEP in the guarantee funding. As at June 30, 2009, no amounts subject to this guarantee have been funded.
- (i) Clairvest, together with CEP III, has guaranteed to fund 50% of any operating deficiencies upon the opening of Casino del Sol for a specified period of time. Amounts paid under the guarantee will be allocated to CEP III, to the extent that the amounts paid thereunder are within the limits of the CEP III Limited Partnership Agreement, with the remainder being allocated to Clairvest. Any amounts paid under the guarantee will result in additional equity being granted to Clairvest and CEP III, allocated on the same basis as the participation between Clairvest and CEP III in the guarantee funding. As at June 30, 2009, no amounts subject to this guarantee have been funded.
- (j) As part of the holding structure of Casino del Sol, Clairvest, together with CEP III, borrowed \$32.9 million through an acquisition entity from an unrelated financial institution, while another acquisition entity deposited \$32.9 million with the financial institution as security for the loan. Clairvest intends to settle the loan, the deposit and related interest accruals simultaneously upon the divestiture of the investment in Casino del Sol, and as a result, the deposit and the loan, and the interest revenue and expense have been presented on a net basis. Clairvest’s ownership of both acquisition vehicles was 23.8% at June 30, 2009, with CEP III owning 71.5% and the remaining owned by unrelated third party investors.
- (k) As part of the holding structure of Latin Gaming Osorno S.A. (“Casino Osorno”), Clairvest borrowed \$14.7 through an acquisition entity from an unrelated financial institution, while another acquisition entity deposited \$14.7 million with the financial institution as security for the loan. Clairvest intends to settle the loan, the deposit and related interest accruals simultaneously upon the divestiture of the investment in Casino Osorno, and as a result, the deposit and the loan, and the interest revenue and expense have been presented on a net basis. Clairvest’s ownership of both acquisition vehicles was 100% at June 30, 2009.
- (l) As part of the holding structure of Latin Gaming Chile S.A. (“Latin Gaming”), Clairvest borrowed \$4.9 million through an acquisition entity from an unrelated financial institution, while another acquisition entity deposited \$4.9 million with the financial institution as security for the loan. Clairvest intends to settle the loan, the deposit and related interest accruals simultaneously upon the divestiture of the investment in Latin Gaming, and as a result, the deposit and the loan, and the interest revenue and expense have been presented on a net basis. Clairvest’s ownership of both acquisition vehicles was 100% at June 30, 2009.
- (m) In connection with its normal business operations, the Company is from time to time named as a defendant in actions for damages and costs allegedly sustained by plaintiffs. While it is not possible to estimate the outcome of the various proceedings at this time, the Company does not believe that it will incur any material loss in connection with such actions.

13. RISK MANAGEMENT

The merchant banking business involves accepting risk for potential return, and is therefore affected by a number of economic factors, including changing economic environments, capital markets and interest rates. As a result, the Company faces various risk factors, inherent in its normal business activities. These risk factors and how the Company manages these risk factors are described below.

Credit risk

Credit risk is the risk of a financial loss occurring as a result of default of a counterparty on its obligations to the Company. For the quarter ended June 30, 2009, there were no material income effects on changes of credit risk on financial assets. The carrying values of financial assets subject to credit exposure at June 30, 2009 and March 31, 2009, net of any allowances for losses, were as follows:

	June 30	March 31
	2009	2009
Cash and cash equivalents	\$ 106,788	\$ 112,272
Temporary investments	72,357	72,140
Accounts receivable and other assets	12,024	6,719
Loans receivable	8,641	8,549
Corporate Investments	96,856	102,865
	\$ 296,666	\$ 302,545

The Company manages credit risk on corporate investments through thoughtful planning, strict investment criteria, significant due diligence of investment opportunities and oversight responsibilities with existing investee companies and by conducting activities in accordance with investment policies that are approved by the Board of Directors. Management's application of these policies is regularly monitored by the Board of Directors. Management and the Board of Directors review the financial condition of investee companies regularly.

The Company is also subject to credit risk on its accounts receivables, the majority of which is with its investee companies. The Company manages this risk through its oversight responsibilities with existing investee companies and by reviewing the financial condition of investee companies regularly.

The Company manages credit risk on cash, cash equivalents and temporary investments by conducting activities in accordance with the fixed income securities policy that is approved by the Audit Committee. The Company also manages credit risk by contracting with counterparties which are Schedule 1 Canadian chartered banks or through investment firms where Clairvest's funds are segregated and held in trust for Clairvest's benefit. Management's application of these policies is regularly monitored by the Audit Committee. Management and the Audit Committee review credit quality of cash equivalents and temporary investments regularly. The credit rating on the Company's cash, cash equivalents and temporary investments were as follows:

	June 30	March 31
	2009	2009
Cash and term deposits	6,521	61,216
Guaranteed income contracts		
AA	20,188	15,048
AA-	1,706	—
Bonds and fixed income mutual funds		
AA	31,296	8,194
AA-	17,648	19,291
A+	2,424	8,100
A	11,349	10,999
A-	8,242	5,001
Preferred Shares		
P-1 low	1,997	1,982
P-2	—	421
P-2 low	107	—
P-3 high	—	2,004
P-3	409	801
P-4	—	299
Other fixed income investments		
R1-High	4,836	841
Other non-rated securities*	72,422	50,215
Total cash, cash equivalents and temporary investments	179,145	184,412

*Included in other non-rated securities at June 30, 2009 are holdings in fixed income mutual funds where the lowest rating of its underlying holdings is R1-Low.

Market risk

Market risk includes exposure to fluctuations in the market value of the Company's investments, currency rates and interest rates.

The Company's corporate investments have minimal exposure to market value risk. As at June 30, 2009, approximately 0.1% of the fair value of the Company's corporate investments was in publicly-traded companies. A sensitivity analysis on market risk is therefore not disclosed due to the Company's minimal exposure to market risk.

Included in corporate investments are investments for which the fair values have been estimated based on assumptions that may not be supported by observable market prices. The most significant unobservable input is the multiple of earnings before interest, income tax, depreciation and amortization (EBITDA) used for each individual investment. In determining the appropriate multiple, Clairvest considers i) public company multiples for companies in the same or similar businesses; ii) where information is known and believed to be reliable, multiples at which recent transactions in the industry occurred; and iii) multiples at which Clairvest invested in the company, or for follow-on investments or financings. The resulting multiple is adjusted, if necessary, to take into account differences between the investee company and those the Company selected for comparisons and factors include public versus private company, company size, same versus similar business, as well as with respect to the sustainability of the company's EBITDA and current economic environment. Investments which are valued using the EBITDA multiple approach include Kubra Data Transfer Ltd., Landauer, Light Tower Rentals Inc. and LSNE. If the Company had used an EBITDA multiple for each investment that was higher or lower by 0.5 times, the potential effect would be an increase or decrease of \$5.0 million to the carrying value of corporate investments and net unrealized gains or losses on corporate investments, on a pre-tax basis for the quarter ended June 30, 2009. EBITDA multiples used are based on public company valuations as well as private market multiples for comparable companies.

The Company's corporate investment portfolio is diversified across 11 companies in 6 industries and 3 countries as of June 30, 2009. Concentration risk by industry and by country is as follows:

	June 30, 2009				March 31, 2009			
	Canada	United States	Chile	Fair value	Canada	United States	Chile	Fair value
Automotive related	3,750	—	—	3,750	3,750	—	—	3,750
Business services	903	5,504	—	6,407	5,062	5,962	—	11,024
Financial Services	16,532	—	—	16,532	17,211	—	—	17,211
Gaming	11,347	—	41,452	52,799	9,945	—	41,862	51,807
Health and medical related	—	9,978	—	9,978	—	11,083	—	11,083
Oil field service	—	6,793	—	6,793	—	7,368	—	7,368
Other	107	490	—	597	90	532	—	622
Total	32,639	22,765	41,452	96,856	36,058	24,945	41,862	102,865

Certain industries, particularly the automotive related industry, the oil field service industry and the financial services industry, may experience significant negative impact to their profitability and liquidity positions given the current economic turmoil. The Company has considered these economic events and indicators in the valuation of its corporate investments.

The company held \$2.0 million in preferred shares of corporations in its temporary investments portfolio at June 30, 2009. Fluctuations between par value and market price did not exceed 7% during the period the shares were held. The Company also held \$0.5 million in preferred shares of split corporations in its temporary investments portfolio at June 30, 2009. A sensitivity analysis on market risk is therefore not disclosed due to the Company's minimal exposure to market risk.

The Company has implemented a hedging strategy because it has, directly and indirectly, several investments outside of Canada, currently in the United States and in Chile. In order to limit its exposure to changes in the value of foreign denominated currencies relative to the Canadian dollar, at June 30, 2009, Clairvest hedged 100% of the carrying value of its foreign investments. In addition, the Company has entered into foreign exchange contracts in anticipation of future growth in the value of its U.S. denominated investments. These contracts have notional values totaling US\$7.7 million and a fair value of a gain of \$30,000 at June 30, 2009. The Company manages counter party credit risk on derivative financial instruments by only contracting with counterparties which are Schedule 1 Canadian chartered banks.

A number of investee companies are subject to foreign exchange risk. A significant change in foreign exchange rates can have a significant impact to the profitability of these entities and in turn the Company's carrying value of these corporate investments. The Company manages this risk through oversight responsibilities with existing investee companies and by reviewing the financial condition of investee companies regularly.

Certain of the Company's corporate investments are also held in the form of subordinated debentures. Significant fluctuations in market interest rates can also have a significant impact in the carrying value of these investments.

Fluctuations in market interest rates affect the Company's income derived from cash, cash equivalents, and temporary investments. For financial instruments which yield a floating interest income, the interest received is directly impacted by the prevailing market interest rate. The fair value of financial instruments which yield a fixed interest income would change when there is a change in the prevailing market interest rate. The Company manages interest rate risk on cash, cash equivalents and temporary investments by conducting activities in accordance with the fixed income securities policy that is approved by the Audit Committee. Management's application of these policies is regularly monitored by the Audit Committee.

If interest rates were higher or lower by 0.25% per annum, the potential effect would be an increase or decrease of \$0.1 million to distributions and interest income on a pre-tax basis for the quarter ended June 30, 2009.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. See Note 12 which describes the Company's contingencies, commitments and guarantees.

The Company maintains a conservative liquidity position that exceeds all liabilities payable on demand. The Company invests its cash equivalents and temporary investments in liquid assets such that they are available to cover any potential funding commitments and guarantees. In addition, The Company maintains a credit facility with a Schedule 1 Canadian chartered bank.

14. CAPITAL DISCLOSURES

Clairvest considers the capital it manages to be the amounts it has in cash, cash equivalents, temporary investments and corporate investments. Clairvest also manages the third-party capital invested in CEP and CEP III. At June 30, 2009, Clairvest had cash, cash equivalents and temporary investments of \$179.1 million (2009 – \$184.4 million), in addition to \$96.9 million (2009 – \$102.9 million) of corporate investments. Clairvest also had access to \$124.5 million (2009 – \$131.2 million) of uncalled committed third-party capital for acquisitions through CEP and CEP III at June 30, 2009, which was increased to \$224.5 million subsequent to quarter end as a result of the first closing of Clairvest Equity Partners IV Limited Partnership ("CEP IV") (see note 15).

Clairvest's objectives in managing capital are to:

- Preserve a financially strong company with substantial liquidity such that funds are available to pursue new acquisitions and growth opportunities as well as to support its operations and the growth of its existing corporate investments;
- Achieve an appropriate risk adjusted return on capital;
- Build the long-term value of its corporate investments; and
- Have appropriate levels of committed third-party capital available to invest along with Clairvest's capital. The management of third-party capital also provides management fees and/or priority distributions to Clairvest and the ability to enhance Clairvest's returns by earning a carried interest.

15. SUBSEQUENT EVENTS

Subsequent to quarter end, Clairvest completed the first closing of its new private equity investment pool which is comprised of a co-investment commitment from Clairvest and a new limited partnership, CEP IV. The amount of the first closing was \$200 million, half of which was committed by Clairvest. Clairvest has the right to increase its commitment to \$125 million prior to the end of the fundraising period.

16. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2010 financial statements.