

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

- December 31, 2009 book value of \$290.4 million or \$18.20 per share versus \$18.06 at September 30, 2009. Cash or near cash represents 56% of the December 31, 2009 book value, or \$10.22 per share
- Net income for the quarter of \$2.3 million, or \$0.14 per share
- Clairvest Equity Partners IV received additional commitments bringing it to 74% of the \$400 million target
- Clairvest's Board of Directors approved a new normal course issuer bid

**Toronto, Ontario (February 12, 2010)** – Clairvest Group Inc. (TSX:CVG) today reported results for the quarter ended December 31, 2009. *(All figures are in Canadian dollars unless otherwise stated).*

Clairvest's book value increased to \$290.4 million or \$18.20 per share for the quarter, compared with \$18.06 per share at September 30, 2009. The increase in book value per share was attributable to net income for the quarter of \$2.3 million, or \$0.14 per share. Net income per share was \$0.41 for the first three quarters of the fiscal year. Net loss for the quarter ended December 31, 2008 was \$0.6 million or \$0.04 per share, and net income for the nine months ended December 31, 2008 was \$22.3 million or \$1.40 per share.

During the quarter, Clairvest continued marketing for its new private equity vehicle, Clairvest Equity Partners IV Limited Partnership ("CEP IV"). Commitments received since the second quarter of fiscal 2010 amounted to \$97 million at January 31, 2010, bringing total commitments to 74% of the \$400 million target. The initial \$200 million closing of CEP IV occurred in the second quarter of fiscal 2010, half of which came from Clairvest. Commitments to CEP IV are limited by a cap of \$500 million, and Clairvest has the right to increase its commitment to \$125 million prior to the end of the fundraising period.

"We are happy with the confidence demonstrated by new and returning investors in CEP IV, who share our optimism about the opportunities arising from the current environment," said Ken Rotman, Co-Chief Executive Officer and Managing Director of Clairvest Group Inc. "Throughout our 22-year history, our team has demonstrated its ability to take advantage of diverse economic conditions and we look forward to partnering with new companies, for the benefit of our shareholders and investors in CEP IV."

As previously announced, subsequent to quarter end, the State of New York selected Aqueduct Entertainment Group LLC ("AEG") to negotiate an agreement to operate a new casino at the Aqueduct Racetrack in Queens, New York (the "Aqueduct Project"). The AEG consortium includes Clairvest, Navegante Group Inc., GreenStar Services Corporation, Levine Builders and Turner Construction. Coming to an agreement with the New York State over the Aqueduct Project remains subject to a number of conditions and regulatory approvals.

Subject to the approval of the Toronto Stock Exchange, Clairvest's Board of Directors has approved a new normal course issuer bid to purchase up to 797,678 common shares on the Toronto Stock Exchange during the 12-month period commencing March 6, 2010.

## **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.*

## **Contact Information**

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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, the possibility that Clairvest may not be successful in obtaining any additional capital commitments for CEP IV and the possibility of conditions not being met and documentation not being concluded in the Aqueduct Project. 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](http://www.clairvest.com)

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 December 31, 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, for which the underlying security 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 the carrying value of corporate investments and net 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 third quarter of fiscal 2010 was \$2.3 million compared with net loss of \$0.6 million for the third quarter of fiscal 2009. The net income for the third quarter of fiscal 2010 is comprised primarily of \$5.9 million of net corporate investment gains, net of \$3.4 million of net operating losses and \$0.2 million of income tax expense. This compares with \$2.6 million of net corporate investment losses, \$1.8 million of net operating income and \$0.2 million of income tax recoveries for the third quarter of fiscal 2009.

The net corporate investment gains of \$5.9 million for the third quarter of fiscal 2010 comprised primarily of unrealized gains on KUBRA Data Transfer Limited (“Kubra”), Landauer Metropolitan Inc. (“Landauer”) and Van-Rob Inc. (“Van-Rob”).

Distributions and interest income for the quarter were \$2.3 million, compared with \$2.8 million for the same quarter last year. Distributions and interest income for the third quarter of fiscal 2010 included income earned on cash, cash equivalents and temporary investments of \$0.6 million. Distributions and interest income for the third quarter of fiscal 2009 included income earned on cash, cash equivalents and temporary investments of \$1.1 million.

Clairvest earned \$0.3 million in net management fees during the quarter for its services in the administration of Clairvest Equity Partners Limited Partnership (“CEP”) portfolio and \$0.2 million in advisory and other fees from its corporate investments. The CEP management fees are 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 \$6.3 million, compared with \$2.3 million for the same quarter last year. Included in administrative and other expenses for the third quarter of fiscal 2010 were management bonuses totaling \$3.4 million and \$0.2 million of stock-based compensation expense as a result of an increase in the trading price of Clairvest’s common shares. Included in administrative and other expenses for the third quarter of fiscal 2009 were management bonuses totaling \$0.5 million and \$0.8 million of stock-based compensation recovery as a result of a decrease in the trading price of Clairvest’s common shares.

Finance and foreign exchange expense recovery of \$0.1 million for the third quarter of fiscal 2010 represented foreign exchange gains of \$0.2 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 third quarter of fiscal 2009 comprised of \$0.1 million in foreign exchange expenses and \$0.1 million in interest and bank charges.

## SUMMARY OF QUARTERLY RESULTS

<b>Quarterly results (\$000's except per share information)</b>	<b>Gross revenue \$</b>	<b>Net income (loss) \$</b>	<b>Net income (loss) per common share \$</b>	<b>Net income (loss) per common share fully diluted* \$</b>
December 31, 2009	8,747	2,268	0.14	0.14
September 30, 2009	5,520	3,692	0.23	0.23
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

\* 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, and stock-based compensation due to the movement in the trading price of Clairvest's common shares. 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 \$163.1 million at December 31, 2009, Clairvest has a \$20.0 million credit facility with a Canadian chartered bank, all of which was available at December 31, 2009. Cash equivalents consist of deposits in savings accounts, term deposits and fixed income mutual funds which have maturities less than 90 days from date of acquisition. Temporary investments consist of corporate bonds and guaranteed investment certificates rated not below A- and preferred shares rated not below P-2 which have maturities greater than 90 days from the date of acquisition. The maturity dates of these temporary investments range from June 2010 through to December 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. Subsequent to quarter end, Clairvest's Board of Directors approved a new normal course issuer bid to purchase up to 797,678 common shares on the Toronto Stock Exchange during the 12-month period commencing March 6, 2010. The new normal course issuer bid is subject to the approval of the Toronto Stock Exchange. As at December 31, 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 December 31, 2009.

Clairvest has corporate investments with a carrying value of \$112.1 million. Changes in the carrying value of Clairvest's corporate investments during the third quarter of fiscal 2010 are primarily a result of follow-on investments made, net unrealized gains on corporate investments and foreign exchange valuation on foreign-denominated investments. Clairvest enters into foreign exchange forward contracts to manage the risks arising from fluctuations in exchange rates on its foreign denominated investments. Clairvest's corporate investments increased \$8.3 million during the third quarter of fiscal 2010. Significant events relating to Clairvest's corporate investments, other than with respect to net unrealized gains and foreign exchange valuations, are described below.

### **Casino New Brunswick**

During the third quarter of fiscal 2010, Clairvest funded an additional \$3.0 million to 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 December 31, 2009, the total amount funded was \$8.2 million.

## **Casino Marina del Sol**

During the third quarter of fiscal 2010, Casino Marina del Sol (“Casino del Sol”) repaid in full a \$0.7 million loan advanced by Clairvest during fiscal 2009. The loan was non-interest bearing and repayable on demand.

## **Wellington Financial Fund II**

During the third quarter of fiscal 2010, Wellington Financial Fund II (“Wellington Fund II”) distributed \$0.8 million to Clairvest, thereby returning all funds invested and reducing the fair value of Clairvest’s investment in Wellington Fund II to \$0.2 million.

## **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 third 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. At December 31, 2009, CEP had made distributions to the General Partner totaling \$9.7 million, 50% of which, or \$4.9 million, was allocated 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 \$15.7 million of distributions, 50% of which, or \$7.8 million, would be payable to Clairvest Subsidiary.

Clairvest is also the parent company of the two General Partners of Clairvest Equity Partners III Limited Partnership (“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 commitment capital until the earlier of the fifth anniversary of the month in which CEP III made its first investment (August 2006) and the date on which CEP III is closed to new investments, and thereafter 0.1667% of contributed capital net of distributions on account of capital and any write-downs of capital invested. 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 third quarter of fiscal 2010, CEP III declared to GP I net priority distributions of \$1.1 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. These 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 Clairvest Subsidiary 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 ("CEP III Co-Invest") of 10% to June 23, 2008 and 8.25% thereafter. CEP III Co-Invest was established in 2006 as the investment vehicle through which Clairvest would co-invest alongside CEP III. Distributions received by GP II from CEP III Co-Invest will be allocated 100% to the Participation III Partnership.

Clairvest is also the parent company of the two General Partners of Clairvest Equity Partners IV Limited Partnership ("CEP IV") (GP I and "GP III"). GP I is entitled to priority distribution from CEP IV. The priority distribution is calculated monthly as follows: i) from the month in which CEP IV makes its first investment to the last day on which CEP III calculates its priority distributions based on committed capital ("CEP III Termination Date"), 0.1667% of capital allocated to specifically identifiable investments net of any write-downs of capital invested; ii) from the CEP III Termination Date to the fifth anniversary of the month of the earlier of the CEP III Termination Date and the date of final closing of CEP IV, 0.1667% of committed capital; and iii) thereafter 0.1667% of contributed capital net of distributions on account of capital and any write-downs of capital invested. The priority distribution is reduced to the extent of 63.8% of any fees earned by GP I from corporate investments of CEP IV. GP I is also entitled to distributions made by CEP IV equal to 2% of gains of CEP IV determined as described below. To date, CEP IV has not made any distributions to GP I.

GP III, a limited partnership, the General Partner of which is a wholly-owned subsidiary of Clairvest, is entitled to participate in distributions made by CEP IV equal to 18% of net gains of CEP IV. These distributions to GP III, and GP I as noted above, will be determined based on the overall performance of CEP IV. No such distributions are permitted until CEP IV'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 IV has not made any distributions to GP III. Any distributions received by GP III will be allocated to each of its two limited partners, one of which is Clairvest Subsidiary which will receive 44.4% of such distributions, and the other of which is another limited partnership (the "Participation IV Partnership") which will receive 55.6% of such distributions. The limited partners of the Participation IV Partnership are principals and employees of Clairvest and GP I (the "Participation IV Investors"). The Participation IV Investors purchased, at fair market value, units of the Participation IV Partnership. From time to time, additional units in the Participation IV Partnership may be purchased by Participation IV Investors.

GP III is also entitled to a carried interest in respect of CEP IV Co-Investment Limited Partnership ("CEP IV Co-Invest") of 8.25%. CEP IV Co-Invest was established in 2009 as the investment vehicle through which Clairvest would co-invest alongside CEP IV. Distributions received by GP III from CEP IV Co-Invest will be allocated 100% to the Participation IV Partnership.

At December 31, 2009, Clairvest had loans receivable from certain officers of Clairvest and GP I (the "Officers") totaling \$0.9 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 \$0.9 million. At December 31, 2009, Clairvest also had loans receivable from certain officers of a company affiliated with Clairvest totaling \$0.7 million. The loans are interest bearing and have full recourse to the individual.

Included in accounts receivable and other assets are receivables of \$3.1 million from Clairvest's investee companies, \$0.6 million from CEP, \$0.1 million from CEP III and \$2.8 million from CEP IV. Also included in accounts receivable and other assets is a refundable deposit of \$8.8 million paid to the State of Kansas with respect to a gaming license application in Wichita, Kansas. Included in accounts payable and accrued liabilities is \$0.1 million owing to Clairvest's investee companies.

Loans totaling \$9.0 million, bearing interest at the prime rate, made by the Company to CEP III during the third quarter of fiscal 2010 were repaid in full during the quarter. Interest of \$20,000 was earned from loans to CEP during the third quarter of fiscal 2010.

During the third quarter of fiscal 2010, Clairvest earned \$0.6 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 December 31, 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, GP I, 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, \$25.4 million of which remains unfunded at December 31, 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, GP I, concurrently sells a proportionate number of securities of that corporate investment held by CEP III.

Clairvest has also committed to co-invest alongside CEP IV in all investments undertaken by CEP IV. Clairvest's total co-investment commitment is \$100.0 million, all of which remains unfunded at December 31, 2009. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP IV if the manager of CEP IV, GP I, concurrently sells a proportionate number of securities of that corporate investment held by CEP IV.

Clairvest has committed \$25.0 million to Wellington Financial Fund III ("Wellington Fund III"), \$12.5 million of which has been funded to December 31, 2009. At December 31, 2009, Clairvest has earned profit distributions totaling \$2.0 million through its ownership interest in the general partners 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 (the "Clawback") entered into by the general partners in the event the limited partners of the Wellington Funds do not meet their return threshold as specified in the respective Limited Partnership Agreement. At December 31, 2009, there were no accruals made with respect to the Clawback.

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 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 December 31, 2009, \$0.8 million has been accrued under the Program. If Clairvest were to sell its corporate investments at their current fair values, an additional bonus of \$1.4 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 \$1.4 million has not been accrued at December 31, 2009. The Program does not apply to the income generated by Clairvest through CEP III Co-Invest and CEP IV Co-Invest.

Clairvest enters into foreign exchange forward contracts to manage the risks arising from fluctuations in exchange rates on its foreign denominated investments. At December 31, 2009, Clairvest had entered into forward contracts to sell US\$53.6 million at an average rate of Canadian \$1.1245 per U.S. dollar through to August 2010. The fair value of these US dollar contracts at December 31, 2009 is a gain of \$3.9 million. These contracts have been recognized on the consolidated balance sheet as derivative instruments. US\$2.6 million of these forward contracts were entered into in anticipation of future growth in value of the Company's U.S. denominated investments. The fair value of these contracts at December 31, 2009 is a gain of \$3,000.

Clairvest has also entered into forward contracts to sell Chilean Unidad de Fomento (CLF) 0.7 million at an average rate of Canadian \$41.8449 per CLF through to January 2010. The fair value of these CLF contracts at December 31, 2009 is a loss of \$0.9 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 December 31, 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 75% 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 December 31, 2009, no amounts subject to this guarantee have been funded.

Clairvest, together with CEP III, has guaranteed to fund any cost overruns during the construction of Casino New Brunswick, as well as any operating deficiencies upon the opening of the casino for a specified period of time. The amount of the guarantee is allocated 75% 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 debentures 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 December 31, 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 \$32.1 million through an acquisition entity from an unrelated financial institution, while another acquisition entity deposited \$32.1 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 December 31, 2009, with CEP III owning 71.5% and the remainder owned by unrelated third party investors.

As part of the holding structure of Latin Gaming Osorno S.A. (“Casino Osorno”), Clairvest borrowed \$14.8 million through an acquisition entity from an unrelated financial institution, while another acquisition entity deposited \$14.8 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 December 31, 2009.

As part of the holding structure of Latin Gaming Chile S.A. (“Latin Gaming”), Clairvest borrowed \$8.3 million through an acquisition entity from an unrelated financial institution, while another acquisition entity deposited \$8.3 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 December 31, 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.

## **CURRENT ENVIRONMENT**

With economic conditions beginning to improve in the third quarter of fiscal 2010, Clairvest is in a strong capital position to benefit from advantageous enterprise valuations and attract new limited partners as a result of its historical performance.

Subsequent to quarter end, the State of New York selected Aqueduct Entertainment Group LLC (“AEG”) to negotiate an agreement to operate a new casino at the Aqueduct Racetrack in Queens, New York (the “Aqueduct Project”). The AEG consortium includes Clairvest, Navegante Group Inc., GreenStar Services Corporation, Levine Builders and Turner Construction. Coming to an agreement with the New York State over the Aqueduct Project remains subject to a number of conditions and regulatory approvals.

## **RISK MANAGEMENT**

The private equity investment 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.

Clairvest’s current liquidity position allows the Company to support its investee companies and acquisitions as appropriate. 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 December 31, 2009, Clairvest’s corporate investment portfolio is diversified across 12 companies in 7 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 environment. 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 fair 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 fair 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, a significant portion 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, CEP III and CEP IV. At December 31, 2009, Clairvest had cash, cash equivalents and temporary investments of \$163.1 million, in addition to \$112.1 million of corporate investments. Clairvest also had access to \$261.9 million of uncalled committed third-party capital for acquisitions through CEP, CEP III and CEP IV at December 31, 2009. Clairvest’s objectives in managing capital are disclosed in note 14 to the interim financial statements.

## **TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS**

During the third quarter of fiscal 2010, Clairvest continued to evaluate the impact of adopting International Financial Reporting Standards (“IFRS”) and is in the process of finalizing its IFRS policies. The Company continues to monitor ongoing changes to IFRS and adjusts its transition and implementation plans accordingly. The Company has established formal communications with the Audit Committee to ensure timely decisions are made on key issues and risks. However, at December 31, 2009, the Company has not yet determined the full 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 December 31, 2009. Management has concluded that the disclosure controls and procedures are effective as of December 31, 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 December 31, 2009. Management has concluded that the design effectiveness of internal controls over financial reporting are effective as of December 31, 2009 based on this evaluation. No changes were made to internal controls over financial reporting during the quarter ended December 31, 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)**

<b>\$000's</b>	<b>December 31</b>	<b>March 31</b>
	<b>2009</b>	<b>2009</b>
<b>Assets</b>		
Cash and cash equivalents (Notes 4, 10 and 13)	\$ 68,968	\$ 112,272
Temporary investments (Notes 4 and 13)	94,132	72,140
Accounts receivable and other assets (Note 8i)	18,701	8,463
Income taxes receivable	7,716	189
Loans receivable (Notes 8j)	182	8,549
Derivative instruments (Notes 11 and 13)	3,941	—
Future tax asset	2,102	3,526
Corporate investments (Notes 6 and 13)	112,111	102,865
	<b>\$ 307,853</b>	<b>\$ 308,004</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Notes 8i, 9 and 12g)	\$ 6,730	\$ 7,932
Income taxes payable	1,118	2,025
Derivative instruments (Notes 11 and 13)	880	5,523
Future tax liability	4,678	4,049
Stock-based compensation (Note 9)	4,037	3,092
	<b>17,443</b>	<b>22,621</b>
Contingencies, commitments and guarantees (Note 12)		
<b>Shareholders' Equity</b>		
Share capital (Note 7)	82,823	82,823
Retained earnings	207,587	202,560
	<b>290,410</b>	<b>285,383</b>
	<b>\$ 307,853</b>	<b>\$ 308,004</b>

(see accompanying notes to interim consolidated financial statements)

**CLAIRVEST GROUP INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
For the quarters ended December 31  
(unaudited)

<b>\$000's (except per share information)</b>	<b>Quarter ended</b>		<b>Nine months ended</b>	
	<b>December</b>		<b>December</b>	
	<b>2009</b>	2008	<b>2009</b>	2008
<b>Net corporate investment gains (losses)</b>				
Net realized gains (losses) on corporate investments (Note 5)	\$ (42)	\$ —	\$ 153	\$ 25,335
Net unrealized gains (losses) on corporate investments	5,962	(2,599)	6,727	(216)
	<b>5,920</b>	<b>(2,599)</b>	<b>6,880</b>	<b>25,119</b>
<b>Other income</b>				
Distributions and interest income (Note 8)	2,317	2,810	11,853	8,689
Dividend income (Note 8k)	47	914	147	1,547
Management fees (Note 8a)	258	274	770	893
Advisory and other fees (Note 8k)	205	259	620	675
	<b>2,827</b>	<b>4,257</b>	<b>13,390</b>	<b>11,804</b>
<b>Expenses</b>				
Administration and other expenses (Note 9)	(6,329)	(2,299)	(14,462)	(10,202)
Finance and foreign exchange (expenses) gains	66	(157)	918	(541)
	<b>(6,263)</b>	<b>(2,456)</b>	<b>(13,544)</b>	<b>(10,743)</b>
Income (loss) before income taxes	2,484	(798)	6,726	26,180
Income tax (expense) recovery	(216)	192	(104)	(3,914)
Net income (loss)	\$ 2,268	\$ (606)	\$ 6,622	\$ 22,266
Basic net income (loss) per share	\$ 0.14	\$ (0.04)	\$ 0.41	\$ 1.40
Fully diluted net income (loss) per share	\$ 0.14	\$ (0.04)	\$ 0.41	\$ 1.36

(see accompanying notes to interim consolidated financial statements)

**CLAIRVEST GROUP INC.**  
**CONSOLIDATED STATEMENTS OF RETAINED EARNINGS**  
For the quarters ended December 31  
(unaudited)

<b>\$000's</b>	<b>Quarter ended</b>		<b>Nine months ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2009</b>	2008	<b>2009</b>	2008
Retained earnings, beginning of period	\$ 205,319	\$ 199,344	\$ 202,560	\$ 188,066
Net income (loss)	2,268	(606)	6,622	22,266
	<b>207,587</b>	<b>198,738</b>	<b>209,182</b>	<b>210,332</b>
Dividends declared	—	—	(1,595)	(11,594)
Retained earnings, end of period	\$ 207,587	\$ 198,738	\$ 209,587	\$ 198,738

(see accompanying notes to interim consolidated financial statements)

**CLAIRVEST GROUP INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the quarters ended December 31  
(unaudited)

\$000's	Quarter ended		Nine months ended	
	December 31		December 31	
	2009	2008	2009	2008
<b>Operating activities</b>				
Net income (loss)	\$ 2,268	\$ (606)	\$ 6,622	\$ 22,266
Add (deduct) items not involving a current cash outlay				
Amortization of fixed assets	84	75	236	223
Stock-based compensation expense (recovery)	239	(844)	945	(914)
Future income tax expense	1,266	315	2,053	910
Net realized losses (gains) on investments	42	—	(153)	(25,335)
Net unrealized losses (gains) on investments	(5,962)	2,599	(6,727)	216
Non-cash items relating to foreign exchange forward contracts	653	4,544	(9,386)	4,213
Non-cash items relating to corporate investments	(1,111)	(5,594)	7,369	(5,701)
	<b>(2,521)</b>	489	<b>959</b>	(4,122)
Net change in non-cash working capital balances related to operations (Note 10)	<b>1,240</b>	(2,131)	<b>(20,110)</b>	(14,239)
<b>Cash used in operating activities</b>	<b>(1,281)</b>	(1,642)	<b>(19,151)</b>	(18,361)
<b>Investing activities</b>				
Acquisition of corporate investments	(2,977)	(3,722)	(16,032)	(29,714)
Proceeds on corporate investments	928	—	5,492	28,125
Return of capital from corporate investments	805	—	805	60
Proceeds on realization (cost) of foreign exchange forward contracts	426	(1,431)	801	(2,184)
Net proceeds on sale (purchase) of temporary investments	(19,861)	(17,263)	(21,992)	(5,048)
Loans advanced (Notes 8j)	(9,091)	(2,884)	(39,519)	(10,859)
Receipt of loans advanced (Notes 8j)	9,009	1,835	47,887	25,450
<b>Cash provided by (used in) investing activities</b>	<b>(20,761)</b>	(23,465)	<b>(22,558)</b>	5,830
<b>Financing activities</b>				
Issuance of share capital	—	64	—	64
Cash dividends paid	—	—	(1,595)	(11,594)
Receipt of loans	—	1,083	—	3,249
<b>Cash provided by (used in) financing activities</b>	<b>—</b>	1,147	<b>(1,595)</b>	(8,281)
<b>Net decrease in cash and cash equivalents</b>	<b>(22,042)</b>	(23,960)	<b>(43,304)</b>	(20,812)
Cash and cash equivalents, beginning of period	91,010	60,468	112,272	57,320
<b>Cash and cash equivalents, end of period (Note 10)</b>	<b>\$ 68,968</b>	\$ 36,508	<b>\$ 68,968</b>	\$ 36,508
<b>Supplemental cash flow information</b>				
Income taxes paid	\$ 72	\$ 1,161	\$ 6,491	\$ 7,119
Interest paid	\$ 335	\$ 6	\$ 1,426	\$ 258

(see accompanying notes to interim consolidated financial statements)

**CLAIRVEST GROUP INC.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
*December 31, 2009 (Tabular Dollar Amounts in Thousands)*  
*(unaudited)*

**1. NATURE OF ACTIVITIES AND BASIS OF PRESENTATION**

The unaudited interim consolidated financial statements of Clairvest Group Inc. (“Clairvest” or the “Company”) are based upon accounting principles consistent with those used and described in the annual audited consolidated financial statements. The disclosures contained in these unaudited interim consolidated financial statements do not include all requirements of generally accepted accounting principles for annual financial statements. As a result, 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 December 31, 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, for which the underlying security 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.

## 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 December 31, 2009 is \$20.0 million (March 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 deposits in savings accounts, term deposits and fixed income mutual funds which have maturities less than 90 days from the date of acquisition.

Temporary investments have maturities greater than 90 days from the date of acquisition and through to December 2012. Temporary investments consist of corporate bonds, guaranteed investment certificates and preferred shares. The yield on these investments ranges between 1.4% and 4.9% (March 2009 – between 2.7% and 5.6%) with a weighted average rate of pre-tax return of 3.1% (March 2009 – 3.7%).

	December 31, 2009			March 31, 2009
	Due in 1 year or less	Due after 1 year	Total	Total
Corporate bonds	\$ 13,321	\$ 34,904	\$ 48,225	\$ 51,585
Guaranteed investment certificates	5,008	37,272	42,280	—
Preferred shares	—	3,627	3,627	5,507
Term deposits	—	—	—	15,048
<b>Total</b>	<b>\$ 18,329</b>	<b>\$ 75,803</b>	<b>\$ 94,132</b>	<b>\$ 72,140</b>

## 5. NET CORPORATE INVESTMENT GAINS (LOSSES)

Net realized gains (losses) on corporate investments for the quarters and nine months ended December 31 comprised of the following:

\$000's	Quarter ended December 31		Nine months ended December 31	
	2009	2008	2009	2008
Net realized gains (losses) on investments	\$ 199	\$ —	\$ (3,538)	\$ 27,332
Previously recognized net unrealized (gains) losses	(241)	—	3,691	(1,997)
	\$ (42)	\$ —	\$ 153	\$ 25,335

## 6. CORPORATE INVESTMENTS

	December 31, 2009			March 31, 2009		
	Fair value	Cost	Difference	Fair value	Cost	Difference
Casino Marina del Sol	\$ 10,287	\$ 9,911	\$ 376	\$ 11,571	\$ 10,624	\$ 947
Casino New Brunswick	8,171	8,171	—	2,342	2,342	—
Kubra Data Transfer Limited	6,493	2,150	4,343	5,962	2,150	3,812
Landauer Metropolitan Inc.	7,762	4,238	3,524	5,015	3,636	1,379
Latin Gaming Chile S.A.	12,866	12,443	423	11,461	9,132	2,329
Latin Gaming Osorno S.A.	17,969	16,618	1,351	18,830	16,618	2,212
Light Tower Rentals Inc.	6,139	5,884	255	7,368	5,884	1,484
Lyophilization Services of New England Inc.	5,056	6,454	(1,398)	6,068	6,454	(386)
N-Brook Mortgage LP	2,625	5,037	(2,412)	3,115	5,037	(1,922)
PEER 1 Network Enterprises Inc.	5,289	6,291	(1,002)	—	—	—
Tsuu T'ina Gaming Limited Partnership	7,992	5,625	2,367	7,603	5,625	1,978
Van-Rob Inc.	6,186	5,000	1,186	3,750	5,000	(1,250)
Wellington Financial Fund II	230	—	230	986	726	260
Wellington Financial Fund III	13,950	12,476	1,474	13,110	12,476	634
	<b>111,015</b>	<b>100,298</b>	<b>10,716</b>	<b>97,181</b>	<b>85,704</b>	<b>11,477</b>
Other investments	1,096	238	858	5,684	4,772	912
	<b>\$ 112,111</b>	<b>\$ 100,536</b>	<b>\$ 11,574</b>	<b>\$ 102,865</b>	<b>\$ 90,476</b>	<b>\$ 12,389</b>

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 third quarter of fiscal 2010, Clairvest funded an additional \$3.0 million to 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 December 31, 2009, the total amount funded was \$8.2 million.

During the third quarter of fiscal 2010, Casino Marina del Sol ("Casino del Sol") repaid in full a \$0.7 million loan advanced by Clairvest during fiscal 2009. The loan was non-interest bearing and repayable on demand.

During the third quarter of fiscal 2010, Wellington Financial Fund II ("Wellington Fund II") distributed \$0.8 million to Clairvest, thereby returning all funds invested and reducing the fair value of Clairvest's investment in Wellington Fund II to \$0.2 million.

## 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 has made no purchases under this issuer bid. Subsequent to quarter end, Clairvest's Board of Directors approved a new normal course issuer bid to purchase up to 797,678 common shares on the Toronto Stock

Exchange during the 12-month period commencing March 6, 2010. The new normal course issuer bid is subject to the approval of the Toronto Stock Exchange. In total 2,544,424 common shares at a cost of \$21.9 million have been purchased under previous normal course issuer bids as of December 31, 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 December 31, 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 third 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. At December 31, 2009, CEP had made distributions to the General Partner totaling \$9.7 million, 50% of which, or \$4.9 million, was allocated 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 \$15.7 million of distributions, 50% of which, or \$7.8 million, would be payable to Clairvest Subsidiary.
- (c) Clairvest is also the parent company of the two General Partners of Clairvest Equity Partners III Limited Partnership ("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 earlier of the fifth anniversary of the month in which CEP III made its first investment (August 2006) and the date on which CEP III is closed to new investments, and thereafter 0.1667% of contributed capital net of any distribution on account of capital and 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 third quarter of fiscal 2010, CEP III declared to GP I net priority distributions of \$1.1 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, GP I and GP II would not receive any distributions other than the priority distributions described in note 8(c) above. Any distributions received by GP II will be allocated to each of its two limited partners, one of which is Clairvest Subsidiary 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 ("CEP III Co-Invest") of 10% to June 23, 2008 and 8.25% thereafter. CEP III Co-Invest was established in 2006 as the investment vehicle through which Clairvest would co-invest alongside CEP III. Distributions received by GP II from CEP III Co-Invest will be allocated 100% to the Participation III Partnership.
- (f) Clairvest is also the parent company of the two General Partners of Clairvest Equity Partners IV Limited Partnership ("CEP IV") (GP I and "GP III"). GP I is entitled to priority distribution from CEP IV. The priority distribution is calculated monthly as follows: i) from the month in which CEP IV makes its first investment to the last day on which CEP III calculates its priority distributions based on committed capital ("CEP III Termination Date"), 0.1667% of capital allocated to specifically identifiable investments net of any write-downs of capital invested; ii) from the CEP III Termination Date to the fifth anniversary of the month of the earlier of the CEP III Termination Date and the date of final closing of CEP IV, 0.1667% of committed capital; and iii) thereafter 0.1667% of contributed capital net of distributions on account of capital and any write-downs of capital invested. The priority distribution is reduced to the extent of 63.8% of fees earned by GP I from corporate investments of CEP IV. GP I is also entitled to distributions made by CEP IV equal to 2% of gains of CEP IV determined as described in note 8(g) below. To date, CEP IV has not made any distributions to GP I.
- (g) GP III, a limited partnership, the general partner of which is a wholly-owned subsidiary of Clairvest, is entitled to participate in distributions made by CEP IV equal to 18% of net gains of CEP IV. These distributions to GP III, and GP I as noted in note 8(f) above, will be determined based on the overall performance of CEP IV. No such distributions are permitted until CEP IV'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 IV has not made any distributions to GP III. Any distributions received by GP III will be allocated to each of its two limited partners, one of which is Clairvest Subsidiary which will receive 44.4% of such distributions, and the other of which is another limited partnership (the "Participation IV Partnership") which will receive 55.6% of such distributions. The limited partners of the Participation IV Partnership are principals and employees of Clairvest and GP I (the "Participation IV Investors"). The Participation IV Investors have purchased, at fair market value, units of the Participation IV Partnership. From time to time, additional units in the Participation IV Partnership may be purchased by Participation IV Investors.
- (h) GP III is also entitled to a carried interest in respect of CEP IV Co-Investment Limited Partnership ("CEP IV Co-Invest") of 8.25%. CEP IV Co-Invest was established in 2009 as the investment vehicle through which Clairvest would co-invest alongside CEP IV. Distributions received by GP III from CEP IV Co-Invest will be allocated 100% to the Participation IV Partnership.
- (i) Included in accounts receivable and other assets are share purchase loans made to certain officers of the Company and GP I totaling \$0.9 million (March 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 \$0.9 million (March 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 \$0.7 million (March 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 \$12,000 was earned on the loans during the quarter. Also included in accounts receivable and other assets are receivables of \$3.1 million (March 2009 – \$2.2 million) from Clairvest's investee companies, from CEP totaling \$0.6 million (March 2009 – 1.8 million), from CEP III totaling \$0.1 million

(March 2009 – \$1.2 million) and from CEP IV totaling \$2.8 million (March 2009 – nil). Also, included in accounts receivable and other assets is a refundable deposit of \$8.8 million paid to the State of Kansas with respect to a gaming license application in Wichita, Kansas. Included in accounts payable and accrued liabilities is \$0.1 million (March 2009 – \$0.5 million) owing to Clairvest’s investee companies.

- (j) Loans totaling \$9.0 million, bearing interest at the prime rate, made by the Company to CEP III during the third quarter of fiscal 2010 were repaid in full during the quarter. Interest of \$20,000 was earned from loans to CEP III during the third quarter of fiscal 2010.
- (k) During the third quarter of fiscal 2010, Clairvest earned \$0.6 million (2009 – \$0.6 million) in distributions and interest income, \$0.2 million in fee income (2009 – \$0.3 million) and nil in dividends (2009 – \$0.9 million) from its investee companies.

## 9. STOCK-BASED COMPENSATION AND OTHER COMPENSATION PLANS

No options were issued or exercised during the third quarter of fiscal 2010. At December 31, 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 December 31, 2009, Clairvest recognized a stock-based compensation expense of \$0.2 million.

As at December 31, 2009, \$4.0 million (March 2009 – 3.1 million) has been accrued under the Company’s stock option plan.

As at December 31, 2009, a total of 152,371 (March 2009 – 123,636) Deferred Share Units were held by directors of the Company, the accrual in respect of which was \$1.9 million (March 2009 – \$1.4 million) and has been included in accounts payable and accrued liabilities. For the quarter ended December 31, 2009, Clairvest recognized an expense of \$0.1 million with respect to Deferred Share Units.

As at December 31, 2009, 120,000 (March 2009 – 105,000) Appreciation Deferred Share Units were held by directors of the Company, the accrual in respect of which is \$10,000 (March 2009 – nil) and has been included in accounts payable and accrued liabilities. For the quarter ended December 31, 2009, Clairvest recognized an expense of \$3,000 with respect to Appreciation Deferred Share Units.

As at December 31, 2009, a total of 541,000 (March 2009 – 432,000) Book Value Appreciation Rights Units were held by employees of Clairvest, GP I and a company affiliated with Clairvest, the accrual in respect of which was \$2.0 million (March 2009 – \$1.5 million) and has been included in accounts payable and accrued liabilities. For the quarter ended December 31, 2009, Clairvest recognized an expense of \$0.1 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 December 31 is detailed as follows:

	<b>2009</b>	2008
Accounts receivable and other assets	\$ 2,007	\$ (1,206)
Income taxes receivable	(969)	(417)
Accounts payable and accrued liabilities	203	377
Income taxes payable	(1)	(885)
	<b>\$ 1,240</b>	<b>\$ (2,131)</b>

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

	<b>December 31 2009</b>	March 31 2009
Cash	<b>\$ 2,650</b>	\$ 61,134
Cash equivalents	<b>66,318</b>	51,138
	<b>\$ 68,968</b>	\$ 112,272

## 11. DERIVATIVE INSTRUMENTS

As at December 31, 2009, the Company had entered into foreign exchange forward contracts as hedges against its foreign investments as follows:

Forward contracts to sell US\$53.6 million (March 2009 – US\$36.1 million) at an average rate of Canadian \$1.1245 per U.S. dollar (March 2009 – average rate of \$1.1722) through to August 2010. The fair value of these contracts at December 31, 2009 is a gain of \$3.9 million (March 2009 – \$3.2 million loss) and has been recognized on the consolidated balance sheet as derivative instruments. US\$2.6 million (March 2009 – US\$7.1 million) of these forward contracts were entered into 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 (“CLF”) 0.7 million (March 2009 – CLF0.7 million) at an average rate of Canadian \$41.8449 per CLF (March 2009 – average rate of \$41.8148) through to January 2010. The fair value of these contracts at December 31, 2009 is a loss of \$0.9 million (March 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 (March 2009 – \$4.0 million) of which remains unfunded at December 31, 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, GP I, 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, \$25.4 million (March 2009 – \$39.8 million) of which remains unfunded at December 31, 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, GP I, concurrently sells a proportionate number of securities of that corporate investment held by CEP III.
- (c) Clairvest has also committed to co-invest alongside CEP IV in all investments undertaken by CEP IV. Clairvest’s total co-investment commitment is \$100.0 million, all of which remains unfunded at December 31, 2009. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP IV if the manager of CEP IV, GP I, concurrently sells a proportionate number of securities of that corporate investment held by CEP IV.
- (d) Clairvest has also committed \$25.0 million to Wellington Financial Fund III (“Wellington Fund III”), \$12.5 million (March 2009 – \$12.5 million) of which has been funded at December 31, 2009. At December 31, 2009, Clairvest has received profit distributions totaling \$2.0 million (March 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 (the “Clawback”) entered into by the general partners in the event the limited partners of the Wellington Funds do not meet their return threshold as specified in the respective Limited Partnership Agreement. At December 31, 2009, there were no accruals made with respect to the Clawback (March 2009 - \$0.4 million).

- (e) 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.
- (f) 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.
- (g) 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 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 December 31, 2009, \$0.8 million (March 2009 – \$2.8 million) has been accrued under the Program. If Clairvest were to sell its corporate investments at their current fair values, an additional bonus of \$1.4 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 \$1.4 million has not been accrued at December 31, 2009. The Program does not apply to the income generated by Clairvest through CEP III Co-Invest and CEP IV Co-Invest.
- (h) 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.
- (i) 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 December 31, 2009, no amounts subject to this guarantee have been funded.
- (j) 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 75% 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 December 31, 2009, no amounts subject to this guarantee have been funded.
- (k) Clairvest, together with CEP III, has guaranteed to fund any cost overruns during the construction of Casino New Brunswick, as well as any operating deficiencies upon the opening of the casino for a specified period of time. The amount of the guarantee is allocated 75% 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 debentures 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 December 31, 2009, no amounts subject to this guarantee have been funded.
- (l) As part of the holding structure of Casino del Sol, Clairvest, together with CEP III, borrowed \$32.1 million through an acquisition entity from an unrelated financial institution, while another acquisition entity deposited \$32.1 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 December 31, 2009, with CEP III owning 71.5% and the remainder owned by unrelated third party investors.

- (m) As part of the holding structure of Latin Gaming Osorno S.A. (“Casino Osorno”), Clairvest borrowed \$14.8 through an acquisition entity from an unrelated financial institution, while another acquisition entity deposited \$14.8 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 December 31, 2009.
- (n) As part of the holding structure of Latin Gaming Chile S.A. (“Latin Gaming”), Clairvest borrowed \$8.3 million through an acquisition entity from an unrelated financial institution, while another acquisition entity deposited \$8.3 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 December 31, 2009.
- (o) 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 private equity investment 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 December 31, 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 December 31, 2009 and March 31, 2009, net of any allowances for losses, were as follows:

	<b>December 31 2009</b>	<b>March 31 2009</b>
Cash and cash equivalents	\$ 68,968	\$ 112,272
Temporary investments	94,132	72,140
Accounts receivable and other assets	16,906	6,719
Loans receivable	182	8,549
Derivative instruments	3,941	—
Corporate investments	112,111	102,865
	<b>\$ 296,240</b>	<b>\$ 302,545</b>

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, a significant portion 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 counterparty credit risk on derivative financial instruments by only contracting with counterparties which are Schedule 1 Canadian chartered banks.

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:

	<b>December 31 2009</b>	March 31 2009
<b>Cash and term deposits</b>	<b>15,392</b>	61,216
<b>Guaranteed income contracts and savings accounts</b>		
AA	<b>70,318</b>	15,048
AA-	<b>11,755</b>	—
<b>Bonds and treasury bills</b>		
AA	<b>16,774</b>	8,194
AA-	<b>20,639</b>	19,291
A+	<b>1,845</b>	8,100
A	<b>2,040</b>	10,999
A-	<b>6,919</b>	5,001
<b>Preferred shares</b>		
P-1 low	<b>2,074</b>	1,982
P-2	—	421
P-2 low	<b>1,553</b>	—
P-3 high	—	2,004
P-3	—	801
P-4	—	299
<b>Other fixed income investments</b>		
R1-High	<b>52</b>	841
<b>Other non-rated securities*</b>	<b>13,739</b>	50,215
<b>Total cash, cash equivalents and temporary investments</b>	<b>163,100</b>	184,412

\*Included in other non-rated securities at December 31, 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.

As at December 31, 2009, approximately 4.8% of the fair value of the Company's corporate investments was in publicly-traded companies. If market prices were higher or lower by 5% as at December 31, 2009, the potential effect would be an increase or decrease of \$0.3 million to the carrying value of corporate investments and net unrealized gains (losses) on corporate investments on a pre-tax basis for the quarter ended December 31, 2009.

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 Metropolitan Inc., Light Tower Rentals Inc., Lyophilization Services of New England Inc. and Van-Rob Inc. 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 \$5.7 million to the carrying value of corporate investments and net unrealized gains (losses) on corporate investments, on a pre-tax basis for the quarter ended December 31, 2009.

The Company's corporate investment portfolio is diversified across 12 companies in 7 industries and 3 countries as of December 31, 2009. Concentration risk by industry and by country is as follows:

	December 31, 2009				March 31, 2009			
	Canada	United States	Chile	Fair value	Canada	United States	Chile	Fair value
Automotive related	6,186	—	—	6,186	3,750	—	—	3,750
Business services	990	6,493	—	7,483	5,062	5,962	—	11,024
Financial services	16,805	—	—	16,805	17,211	—	—	17,211
Gaming	16,163	—	41,122	57,285	9,945	—	41,862	51,807
Health and medical related	—	12,818	—	12,818	—	11,083	—	11,083
Information technology	—	5,289	—	5,289	—	—	—	0
Oil field service	—	6,139	—	6,139	—	7,368	—	7,368
Other	106	—	—	106	90	532	—	622
<b>Total</b>	<b>40,250</b>	<b>30,739</b>	<b>41,122</b>	<b>112,111</b>	<b>36,058</b>	<b>24,945</b>	<b>41,862</b>	<b>102,865</b>

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 environment. The Company has considered these economic events and indicators in the valuation of its corporate investments.

The company held \$3.6 million in preferred shares of corporations in its temporary investments portfolio at December 31, 2009. Fluctuations between par value and market price did not exceed 8% during the period the shares were held. 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 December 31, 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\$2.6 million and a fair value of a gain of \$3,000 at December 31, 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 fair 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 on the fair 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 \$0.3 million to distributions and interest income on a pre-tax basis for the quarter ended December 31, 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, CEP III and CEP IV. At December 31, 2009, Clairvest had cash, cash equivalents and temporary investments of \$163.1 million (March 2009 – \$184.4 million), in addition to \$112.1 million (March 2009 – \$102.9 million) of corporate investments. Clairvest also had access to \$261.9 million (March 2009 – \$131.2 million) of uncalled committed third-party capital for acquisitions through CEP, CEP III and CEP IV at December 31, 2009.

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, the State of New York selected Aqueduct Entertainment Group LLC ("AEG") to negotiate an agreement to operate a new casino at the Aqueduct Racetrack in Queens, New York (the "Aqueduct Project"). The AEG consortium includes Clairvest, Navegante Group Inc., GreenStar Services Corporation, Levine Builders and Turner Construction. Coming to an agreement with the New York State over the Aqueduct Project remains subject to a number of conditions and regulatory approvals.

### **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.