



**NEW LOOK EYEWEAR INC.**  
**(FORMERLY BENVEST NEW LOOK INCOME FUND)**  
**ANNUAL INFORMATION FORM**

For the fiscal year ended December 31, 2009

March 18, 2010

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## GLOSSARY OF TERMS

The following is a glossary of certain terms used in this AIF:

“**AIF**” means this Annual Information Form;

“**Arrangement**” means the arrangement that became effective on March 2, 2010, under the provisions of section 192 of the CBCA, on the terms and conditions set forth in the Plan of Arrangement;

“**Arrangement Agreement**” means the agreement dated January 21, 2010 between the Fund, New Look, Sonomax, New Sonomax and New Sonomax Operating Company setting out the principal terms of the Arrangement;

“**Benvest**” means Benvest Capital Inc., a corporation incorporated under the CBCA, that was amalgamated with other corporations in May 1, 2005, pursuant to an arrangement completed on that date to form Former New Look;

“**CBCA**” means the *Canada Business Corporations Act*, as amended, including the regulations promulgated thereunder;

“**CMN Escrowed Sale Proceeds**” means the escrowed proceeds resulting from the sale by Benvest of its 20% equity ownership interest in CMN International Inc. on November 30, 2004;

“**Exchangeable Shares**” means the exchangeable shares in the share capital of Former New Look;

“**Former New Look**” means New Look Eyewear Inc., a corporation existing under the CBCA and the operating subsidiary of the Fund as it existed from May 1, 2005 to March 3, 2010;

“**Fund**” means Benvest New Look Income Fund, an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario pursuant to a declaration of trust;

“**Indemnity Agreement**” means the indemnity agreement entered into between Sonomax, New Sonomax Operating Company and New Sonomax in conjunction with the Plan of Arrangement;

“**Management**” means the management of New Look;

“**New Look**” means New Look Eyewear Inc. a corporation existing under the CBCA and resulting from the amalgamation on March 3, 2010 of Former New Look and Sonomax. Unless the context requires more precision, the reference to New Look includes a reference to NLI as it existed before May 1, 2005 and to Former New Look, as it existed from May 1, 2005 to March 3, 2010, and includes, in all cases where applicable, its subsidiaries and variable interest entities;

“**New Sonomax**” means Sonomax Technologies Inc., a corporation incorporated under the CBCA on January 20, 2010 which, following the completion of the Arrangement, owned all of the issued and outstanding shares of New Sonomax Operating Company;

“**New Sonomax Operating Company**” means 7281978 Canada Inc., a corporation incorporated under the CBCA on November 20, 2009 and a wholly-owned subsidiary of Sonomax;

“**NLI**” means Lunetterie New Look International Inc.;

“**Operating Credit Facilities**” means the Term Credit Facility and the Revolving Facility provided to New Look by National Bank of Canada;

“**Person**” means any individual, partnership, association, body corporate, trustee, executor, administrator, legal representative, government, regulatory authority or other entity;

“**Plan of Arrangement**” means the plan of arrangement under the provisions of Section 192 of the CBCA as approved by the Superior Court of Québec on March 2, 2010;

“**Revolving Facility**” means the revolving credit facility provided to New Look by National Bank of Canada;

“**Sonomax**” means Sonomax Hearing Healthcare Inc., a corporation created under the laws of Canada;

“**Tax Act**” means the *Income Tax Act* (Canada), as amended, including the regulations promulgated thereunder;

“**Transfer Agreement**” means the transfer agreement and instrument of conveyance entered into between Sonomax and New Sonomax Operating Company providing for the assignment of the transferred assets and liabilities from Sonomax to New Sonomax Operating Company as part of the Arrangement;

“**Term Credit Facility**” means the term credit facility provided to New Look by National Bank of Canada;

“**TSX**” means the Toronto Stock Exchange;

“**Unit**” means a unit of the Fund; and

“**Unitholders**” means the holders of Units from time to time.

## **FORWARD LOOKING STATEMENTS**

This AIF contains forward-looking statements. All statements other than statements of historical fact contained in this AIF are forward-looking statements, including, without limitation, statements regarding the future financial position, business strategy, proposed acquisitions, budgets, litigation, projected costs and plans and objectives of, or involving New Look. Shareholders can identify many of these statements by looking for words such as “believe”, “expects”, “will”, “intends”, “projects”, “anticipates”, “estimates”, “plans”, “may”, “would” or similar words or the negative thereof. These forward-looking statements include statements with respect to amounts to be retained by New Look for growth or capital expenditures. There can be no assurance that the plans, intentions or expectations upon which these forward-looking statements are based will be achieved. Forward-looking statements are subject to risks, uncertainties and assumptions, including those discussed elsewhere in this AIF. Although Management believes that the expectations represented in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Some of the factors which could affect future results and could cause results to differ materially from those expressed in the forward-looking statements contained herein include: pending and proposed legislative or regulatory developments, competition from established competitors and new market entrants, technological change, interest rate fluctuations, general economic conditions, acceptance and demand for new products and services, and fluctuations in operating results.

The information contained in this AIF, including the information set forth under “Risk Factors” identifies additional factors that could affect the operating results and performance of New Look.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this AIF are made as of the date of this AIF, and New Look undertakes no obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise, except as provided by law.

**NEW LOOK EYEWEAR INC.  
(FORMERLY BENVEST NEW LOOK INCOME FUND)  
ANNUAL INFORMATION FORM**

**ITEM 1 - DATE OF ANNUAL INFORMATION FORM AND OTHER INFORMATION**

This AIF is dated as of March 18, 2010.

This AIF reflects the conversion on March 2, 2010 of the Fund from an income trust structure to a corporation. Except as otherwise indicated, the information contained in this AIF is current as of December 31, 2009. For reporting purposes, the consolidated financial statements for the year ended December 31, 2009 were issued under the name of the Fund. The Fund prepared its consolidated financial statements in Canadian dollars, except as otherwise indicated, and in conformity with Canadian generally accepted accounting principles.

For accounting purposes, New Look is considered to be the continuation of the Fund.

***Reference to New Look***

In this AIF, unless the context requires more precision, the reference to New Look includes a reference to Lunetterie New Look International Inc., as it existed before May 1, 2005, to New Look Eyewear Inc., as it existed from May 1, 2005 to March 3, 2010, and to New Look Eyewear Inc. as it exists since March 3, 2010. When necessary, a reference to Former New Look is made to designate the entity existing from May 1, 2005 to March 3, 2010.

**ITEM 2 - CORPORATE STRUCTURE**

**2.1 NAME, ADDRESS AND INCORPORATION**

New Look is a corporation existing under the CBCA resulting from the amalgamation on March 3, 2010 of Former New Look and Sonomax, which had, at that point, changed its name to New Look. Former New Look was a subsidiary of the Fund, an income trust which was wound up on March 2, 2010 following the Arrangement between the Fund, Former New Look, Sonomax and certain other corporations that became effective on March 2, 2010. The purpose of the Fund was to hold securities of Former New Look. New Look is the result of the conversion of the Fund into a corporation.

The Fund was an unincorporated, open-ended, limited purpose investment trust governed by the laws of the Province of Ontario, established pursuant to a declaration of trust. The Fund qualified as a "mutual fund trust" for the purposes of the Tax Act. The Fund was established for the purposes of investing in the securities of New Look or any other subsidiary of the Fund. The Fund owned all of the outstanding securities of New Look, except the Exchangeable Shares.

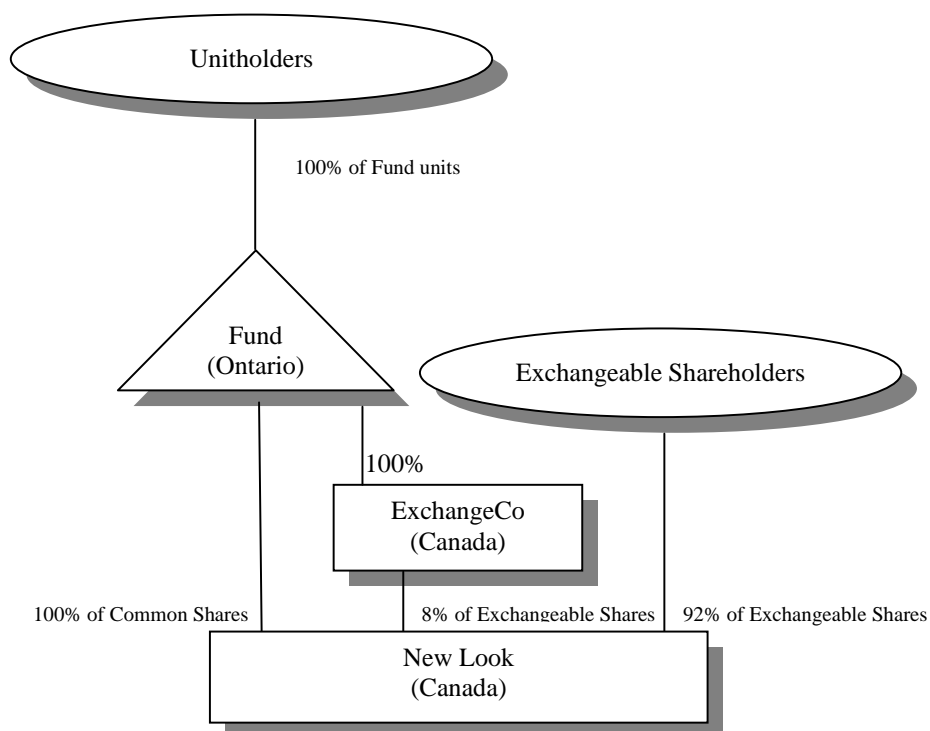
Former New Look and Sonomax were corporations existing under the CBCA.

The head and registered office of New Look is located at 1 Place Ville Marie, Suite 3438, Montréal, Québec, H3B 3N6.

## 2.2 INTERCORPORATE RELATIONSHIPS

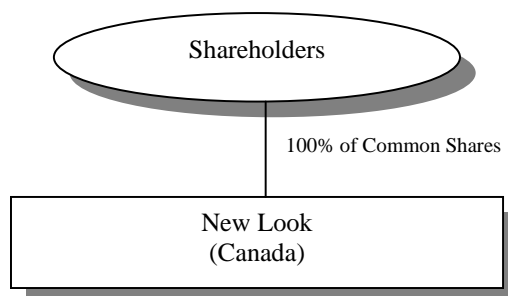
### *Structure of the Fund before the conversion to a corporation*

The following diagram illustrates the organizational structure of the Fund and its principal subsidiaries, including their jurisdiction of incorporation, before its conversion to a corporation on March 2, 2010:



### *Structure of New Look as of March 3, 2010*

The following diagram illustrates the organizational structure of New Look, including its jurisdiction of incorporation, immediately after the conversion of the Fund from an income trust structure to a corporation:



## 2.3 HISTORY AND DEVELOPMENT

On May 1, 2005, the Fund became active. The Fund was created pursuant to an arrangement under which the former shareholders of Benvest became unitholders of the Fund. The business previously carried on by Benvest and its subsidiaries, then including NLI, has been carried on through the Fund and Former New Look up until March 2, 2010.

During the year ended December 31, 2006, New Look invested \$5.7 million in its network expansion plan. New Look proceeded with the opening of five (5) new stores in the greater Montréal area, two in the Ottawa area and one in the Québec City area and relocated and increased the size of its store in Drummondville. In addition, major renovations were undertaken in four (4) stores. Important investments were made in the laboratory with the introduction of “hydro satin” coating technology and digital lens manufacturing technology. Hydro satin processing has allowed New Look to sell a value-added coating for its lenses. The installation of equipment and software related to digital manufacturing, as well as the training of personnel, set the groundwork for the launch of certain revolutionary products at the beginning of 2007. Financing of the expansion was provided partly from the receipt of an amount of \$2.3 million from the CMN Escrowed Sale Proceeds.

The sale of Evolution HD™ and Ultra Evolution HD™ lenses, revolutionary products, began in January 2007. During the year ended December 31, 2007, New Look invested a further \$7.4 million in its expansion plan. New Look proceeded with the opening of four (4) additional stores in Montréal (including the acquisition of two (2) optical practices) and one (1) additional store in Ottawa. In addition, major renovations were undertaken in nine (9) stores. Robotized equipment was added in the laboratory; optical and ophthalmic equipment was updated in many stores; and New Look began to implement an *Enterprise Resource Planning* (“ERP”) system. These investments were partly financed through long-term borrowings of \$4.5 million. Long-term financing came mainly from the “evergreen” credit facilities with its regular bank.

During the 2008 fiscal year, New Look added four (4) stores to its network, including a store in Ottawa and an optical practice acquired in Joliette, and proceeded with the relocation of and/or major renovations to seven (7) existing stores. Investments were also made in additional equipment in the laboratory, optical and ophthalmic equipment in stores and with respect to the second phase of the implementation of the ERP system. The ERP system is structured to facilitate the management of the business encompassing the ongoing growth. The investments were partly financed through long-term borrowings of \$2.3 million on the “evergreen” credit facilities.

During the 2009 fiscal year, New Look added two (2) new stores to the network, one (1) in the greater Montréal area and one (1) in Ottawa. New Look also acquired the remaining 50% interest in Monique Laurent Inc., a former joint venture which already operated two (2) New Look stores. Investments were also made to acquire clientele, to proceed with major renovations to four stores and add equipment in the laboratory and in the stores.

### **ITEM 3 - NARRATIVE DESCRIPTION OF THE BUSINESS**

#### **3.1 INDUSTRY BACKGROUND**

The retail optical industry focuses on the sale, merchandising and distribution of optical products. There are three (3) principal categories of optical products: (i) prescription eyewear (including eyeglasses and sunglasses); (ii) contact lenses; and (iii) non-prescription eyewear (including eyeglasses and sunglasses). The two (2) main components of eyewear are frames and lenses.

Canada’s retail optical market is expanding at a steady annual rate. Management estimates that current annual sales of optical products in Canada are approximately \$2.2 billion. Prescription eyeglasses account for the largest portion of this market.

The industry comprises establishments primarily engaged in one or more of the following: (i) retailing and dispensing of prescription eyeglasses and contact lenses; and (ii) selling non-prescription sunglasses, protective eyewear and reading glasses. Some participants also offer optometric services whereby an affiliated optometrist works within or in premises adjacent to the store.

Optical products are sold in Canada by three (3) main types of retailers. Firstly, there are corporate chains of optical product stores, such as LensCrafters and Pearle Vision (both part of Luxottica Group’s retail division), Hakim Optical, Vogue Optical, Greiche & Scaff, Les Lunetteries F. Farhat and New Look. Secondly, there are the large mass-merchandising stores, department stores and warehouse clubs, such as Wal-Mart, Costco Wholesale, The Bay and Sears, which offer in-store optical departments. As certain of these “big-box” retailers continue to increase their market presence in Canada, they are slowly increasing their share of the Canadian optical market.

Lastly, there are independent eye care professionals (i.e. opticians, optometrists and ophthalmologists), who continue to hold an important portion of the Canadian market. These independent eyecare providers often adhere to networks and buying groups, such as “IRIS”, FYI Eye Doctors, and Optometric Services Inc. Management estimates that more than half of the overall market share of annual sales of optical products in Canada is held by such independent retailers, thereby providing considerable opportunity for growth. Internet sales of contact lenses and of prescription eyeglasses offered by companies such as Clearly Contacts are becoming increasingly prominent. There are no official statistics on market shares per category of retailers. The market is evolving as consumers are changing their buying habits. Also, most of the retailers do not publish statistics on their operations.

Key highlights of the Canadian retail optical industry are as follows:

*Favourable Demographics.* It is expected that the market for corrective eyewear will increase as Canada’s “baby boomer” population ages. According to the 2006 Census conducted by Statistics Canada, the number of people in the 45-64 age group is expected to grow by approximately 2.2% per year through 2011. This age group is the group primarily affected by presbyopia, a natural aging process that limits the eyes’ ability to focus on nearby objects. Presbyopia affects a majority of people above the age of 45 and is a major source of demand for corrective eyewear, particularly with progressive and other multifocal lenses. Management estimates that a significant portion of the population requires eye care products in this age bracket.

*Eyewear as a Fashion Accessory.* Although in the past eyeglasses were primarily viewed as medical implements, they are now increasingly being viewed as a fashion accessory. There have been many factors that have contributed to this change, such as style and colour changes, lighter and thinner lenses, increased commercial advertising and the introduction of “designer” branded frames. This has resulted in an increase in consumer demand for such “high-end” products and also in the cost of eyewear in general. Moreover, the Canadian and Québec markets are characterized by a trend leaning towards higher quality lenses, with applied coatings that improve vision and the durability of the lenses (for example, anti-scratch and anti-reflective coatings). Management estimates that the percentage of lenses sold with anti-scratch and anti-reflective coatings in Canada is over 50%, as compared to 28.5% in the U.S.

*Alternative Vision Correction Treatments.* More and more Canadians are increasingly turning to laser eye surgery to permanently correct vision as an alternative to wearing eyeglasses or contact lenses. Continued research and development in laser surgery treatment may lead to an increase in the market shares of such surgery at the expense of the contact lens and eyeglasses market. Nevertheless, Management believes that these techniques have not and will not have a material impact on sales of prescription eyewear in the near future. Many who undergo refractive eye surgery require follow up procedures and may still require some form of corrective eyewear at a later date due to the onset of presbyopia. Refractive surgery techniques for the treatment of presbyopia are still experimental and have shown very limited success.

### 3.2 NEW LOOK’S STRENGTHS

The objective of New Look is to build revenues while maintaining high profitability. This will result in a growing enterprise value for the shareholders as well as strong dividends. While most retailers buy their lenses from third parties, New Look’s value chain also included a fully integrated laboratory.

*Fully-Integrated Laboratory, Distribution Centre and Store Network.* In June 2002, New Look established one of the most modern and complete optical laboratories in eastern Canada. To the knowledge of Management, New Look was the first retail optical company in eastern Canada and remains currently one of the few retail optical companies to operate a complete optical laboratory (with surfacing, edging, anti-scratch, hydro satin, and anti-reflective coating capabilities), which is fully integrated with its distribution centre and store network. This provides New Look with a major strategic advantage, as it enables New Look to promptly deliver products to its customers. New Look’s lens processing capabilities also permit it to augment the value of each lens sold and improve product quality control. By contrast, most of New Look’s competitors in Québec are required to outsource the secondary processing of all or part of their lenses to meet their customers’ needs, generally at a higher cost.

*Strength in the Québec Market.* Management believes that New Look maintains a leading position in terms of volume of eyewear sold in Québec. New Look has continuously expanded its network of stores to drive additional

growth in Québec. Over the past three years, New Look has opened eight (8) new stores for a current total of 56 stores throughout Québec. The addition of these new stores, supported by strengthened merchandising programs, advertising campaigns, customer services and improved supply chain management, has increased New Look's market presence and helped drive revenue growth in the Province of Québec. This store network also provides New Look with the ability to conduct advertising on a province-wide basis and reach its target clientele effectively and at a lower cost.

*Eastern Ontario Market.* New Look has maintained a presence in the Ottawa area since 1994 and, at that time, operated under the name Derouin Opticians. During 2006, the transition to the New Look banner was completed. Over the past three (3) years, New Look opened three (3) stores for a current total of seven (7) stores in the Ottawa market. The company intends to continue to expand its presence in eastern Ontario with the addition of new stores.

*High Brand-Name Recognition.* By continuously reinvesting in merchandising and advertising and by its commitment to delivering superior product quality and exceptional customer service, New Look has established a reputation with its customers for reliability in products, services, innovation and value. According to a study commissioned by New Look in 2008, the "New Look" brand name is the most highly recognized brand name in the optical industry in Québec. Management believes that the "New Look" name has played an important role in the success of New Look's business and intends to continue to promote its brand in order to enhance its market position.

*Experienced Management Team.* New Look has a committed management team with extensive expertise in the retail optical industry. The seven (7) current senior executives of New Look each have on average more than 20 years experience in the optical and retail sectors.

*Significant Sales of Value-Added Products.* New Look focuses its efforts on value-added products, including products that have advanced design characteristics such as Evolution HD™, Ultra Evolution HD™ and other internationally recognized suppliers of progressive lenses, polycarbonate lenses, polarized sunglasses, Transitions photochromic lenses that react to sunlight, lens coatings and treatments such as anti-scratch and anti-reflective coatings and frames made of thin and light-weight materials such as titanium, aluminium and advanced plastics. Management believes that the quality and breadth of New Look's value-added products enable New Look to strengthen relationships with existing customers and further develop its customer base.

*Technologically Advanced Facilities.* New Look has made significant investments in creating and utilizing innovative technologies to enhance its ability to produce high-quality eyewear at a lower cost and to service clients effectively. Examples include investments in direct surfacing computer technology, which has enabled the launching of Evolution HD™ and Ultra Evolution HD™ lenses as well as investments in hydro satin coating technology. New Look management is committed to employing state-of-the-art technology in its laboratory and stores in order to operate its business effectively and efficiently and produce the highest quality optical products. New Look works closely with its lens technology and equipment suppliers in order to continually improve and expand its premium lens products. Through its use of technology, focus on operational efficiencies and automation, Management believes it has established a low cost operating structure and is continually seeking further operating efficiencies and operational cost reductions. Management is confident that its ongoing investments in enhancing New Look's technological capabilities and its superior product quality allow it to offer its services readily, seamlessly and effectively throughout Québec and eastern Ontario.

### **3.3 NEW LOOK'S GROWTH STRATEGY**

New Look's strategy for sustaining the amount available for dividends involves continuing to operate the business of New Look efficiently to provide shareholders with the benefit of its stable and growing revenue stream. At the same time, New Look will selectively pursue opportunities for growth that are expected to maximize shareholder value, which will include the following:

*Continue to Acquire Independent Optical Practices in Existing Markets.* New Look has built a solid store network and operates performing stores, a state of the art laboratory and ancillary assets through which it can expand the business. The company intends to pursue a revenue growth strategy focused on the acquisition of optical practices in select target markets throughout Québec and eastern Ontario.

*Expand in Existing Markets.* New Look has commitments to add four (4) stores over 2010 and 2011 and to relocate one (1) existing store.

*Expand by Acquisition of Practices in Québec's Rural Areas.* The New Look brand is well recognized in Québec's smaller towns and rural areas. Excellent opportunities exist to acquire independent practices and to convert their operations into New Look stores. Product and service enhancement to consumers in these areas will undoubtedly expedite the development of New Look's presence in rural markets.

*Capitalize on Current Infrastructures.* New Look has made significant investments in its equipment and infrastructure, in particular, by establishing a fully-integrated lens processing laboratory, distribution centre and store network. Management believes that New Look's current infrastructure would support a significantly greater volume of sales. This infrastructure will provide New Look with important opportunities for revenue growth with a modest increase in infrastructure costs.

*Capitalize on Positive Demographic Trends Affecting the Retail Optical Industry.* Management believes that New Look's leading position in the sale and processing of ophthalmic frames and prescription lenses continues to place New Look in a favourable position to realize the benefit of this demographic trend.

*Focus on Delivering Genuine Value to the Customer.* New Look strives to build a life-cycle relationship with its customers in order to achieve high levels of customer satisfaction and to promote superior customer retention. New Look develops and manages its merchandising and advertising strategies on a centralized basis while adapting advertising and publicity for the French speaking and English speaking markets. New Look differentiates itself from its competitors through innovative advertising campaigns and through a focus on providing high quality optical products and services which cater to the customers' unique needs.

*Strengthen New Look's Position by Consolidating the Fragmented Canadian Retail Optical Industry.* The Canadian retail optical industry is highly fragmented, with no dominant national player. More than half of the market is held by independent eye care providers, who operate at a local or regional scale. Given the structure of the market, Management believes that multiple opportunities exist to complete strategic acquisitions or associations, which may provide opportunities for growth.

*Addition of Hearing Care Products and Services.* Following the acquisition of Sonomax's distribution assets as part of the Arrangement, New Look will commence a program of introducing hearing protection devices into its retail network.

### 3.4 **REVIEW OF OPERATIONS AND BUSINESS**

#### *Products*

The retail sale of optical products within New Look stores can be grouped into four (4) principal categories: (i) prescription eyewear, (ii) contact lenses, (iii) sunglasses, protective eyewear and reading glasses, and (iv) accessories, such as cleaning products for eyeglasses and contact lenses. For the 2009 and 2008 fiscal years, prescription eyewear and contact lenses accounted for more than 95% of consolidated sales. 100% of sales of prescription eyewear and contact lenses are made to outside customers.

New Look's activities are conducted under the "New Look" trade name. The principal market for New Look's products is the Province of Québec, where it operates 56 stores as at December 31, 2009. New Look also operates seven (7) stores in eastern Ontario. The New Look stores carry a broad range of optical products and styles under a wide variety of brand names including, in frames, Oakley, Silhouette, Gucci, Dolce & Gabbana, Easyclip, Jones New York, Prada, Christian Dior, Adidas, Giorgio Armani, Lacoste, Rochas and Columbia, and, in lenses, Nikon and Essilor. New Look offers the recognized brand name contact lenses from suppliers such as Johnson & Johnson (Oasys), Cibavision (Air Optix), Bausch & Lomb (Purevision and Coppervision (Biofinity and Proclear)).

New Look stores have independent optometrists practicing within or adjacent to New Look stores, who offer eye exams and other eye care services and who assist customers in selecting appropriate contact lenses. New Look

employs optical professionals and qualified sales personnel in its stores, who assist customers in selecting types of lens designs and materials, frames, tints and coatings and other optical products suited to their needs. New Look stores' personnel also comprises professional dispensing opticians who are specialized in, among other things, obtaining specifications for eyeglasses or contact lenses from a prescription prepared by an optometrist, ophthalmologist or medical doctor, fitting customers with prescription eyeglasses or contact lenses and mounting lenses in eyeglass frames. These opticians are employed by a company which is owned and operated by an optician.

New Look also transforms and applies a variety of lens coatings and treatments which significantly enhance the performance of the lenses. These transformations, coatings and treatments include:

- (a) digital surfacing, grinding and polishing lenses according to the specifications provided by a licensed optician;
- (b) cutting, edging lenses and mounting lenses into frames; and
- (c) applying anti-scratch coatings that prolong the life of lenses, anti-reflective coatings that allow more light to pass through the lens for improved vision or hydrophobic coatings.

A significant portion of all lenses sold within New Look stores are coated with anti-scratch, anti-reflective and hydrophobic coatings. New Look introduced, in 2007, revolutionary direct surfacing (free-form) lenses, which it markets under the names Evolution HD™ and Ultra Evolution HD™. These lenses are transformed in the New Look laboratory using licensed software and specialized equipment. Management believes that, in our markets, competing optical stores do not have access to this technology at a cost effective price and with a reasonable delivery period to their customers, providing New Look with a competitive advantage.

Most transformations, coatings and finishings are performed at New Look's integrated lens processing laboratory. The finished lenses are delivered to the stores where opticians ultimately fit customers with the prescription eyeglasses. New Look stores also have on-site cutting, edging and mounting capabilities.

While frames and non-prescription eyeglasses and sunglasses are sold directly to customers by New Look, prescription lenses and contact lenses are sold to customers by licensed opticians practising within New Look stores and employed by an optician company.

New Look provides the optician company and the independent optometrists with a wide variety of administrative and other support services, in consideration for the payment of rent and the reimbursement and payment of certain other costs, expenses and fees.

### *Supply*

Lenses and frames are the two principal components of New Look's products and are purchased from a wide variety of suppliers.

A large majority of the raw materials and the lenses used by New Look in its lens processing laboratory are manufactured outside of Canada. New Look currently sources its lenses from a diverse group of suppliers in the United States, Asia and Europe. Management believes that the world-wide supply of lenses is ample. The prices for lenses are variable and depend on a number of factors, including brand, material, type of vision correction, lens design and coatings applied to the lens. There are two main categories of eyewear lenses:

- (a) single-vision lenses (lenses which have a constant corrective power at all points and are used to correct single refractive vision problems, including myopia (nearsightedness), presbyopia (reading difficulties) and hyperopia (farsightedness)); and
- (b) multifocal lenses (lenses which have more than one corrective power, including bifocal lenses, which have two distinct areas of different corrective power, and progressive lenses, which have a continuous gradient of different corrective power).

The fact that New Look has the ability to transform, coat and treat lenses at its own lens processing laboratory also provides New Look with access to a broad range of untreated lenses which may be purchased at a lower cost. In addition to reducing the price of product components, this also increases their availability by providing New Look with access to the broader market for such untreated lenses. The licensed software and specialized equipment used by the laboratory could be replaced should a major problem occur with the current suppliers.

Due to New Look's high volume of sales and purchasing power, New Look imports a large majority of its designer frames from American, European and Asian manufacturers rather than purchasing them through Canadian distributors. This allows New Look to source high quality frames at a low cost and offer the latest styles and trends to its customers. By contrast, independent stores operated by eye care professionals must generally acquire such frames from distributors, usually resulting in a higher cost. Lower cost "value" frames are sourced directly from manufacturers in Europe and Asia.

With its high volume of lens and frame purchases, New Look has developed privileged relationships with its suppliers in terms of price, quality and services. Although one supplier currently represents approximately 40% of lens purchases, New Look is able to purchase similar lenses from other renowned suppliers. No single New Look frame supplier accounted for more than 20% of frames purchases during the fiscal year ended December 31, 2009 and New Look is not dependant on any one supplier. As a result, the loss of any one supplier would not have a material adverse impact on New Look's business. New Look does not have any formal, long-term arrangements with any of its suppliers. This provides New Look with flexibility in placing its purchase orders. Management believes that New Look's relationship with its suppliers is very good.

*Facilities*

As at December 31, 2009, New Look occupied 66 leased premises, of which 63 were occupied by New Look stores, one (1) by the lens laboratory, the distribution centre and administrative offices in Ville St-Laurent, and one (1) by the head office at 1 Place Ville-Marie, Montréal. One (1) premise located on Bouvier Street in Québec City also houses most of operating support functions including accounting, sales, purchasing, marketing, information technology and human resources. Of the 66 leased premises, 59 are located in the major cities of the Province of Québec and seven (7) are located in the city of Ottawa.

New Look's stores are situated in shopping malls, power-centres, strip malls and street-front locations and comprise an average of approximately 3,200 square feet per store. The leases are on terms that are customary in the industry and they are actively managed by the Vice President, Real Estate and Development. Rent with respect to these leases is generally payable monthly. No one lease is material to New Look's business. The current terms of these leases are scheduled to expire, subject to rights of renewal, as follows:

<u>Calendar Year</u>	<u>No. of Leases</u>
2010	3
2011	7
2012 or later	53

In general, New Look believes that its current leased facilities provide adequate premises for expansion opportunities and that such leases are in good standing. While Management does not anticipate any difficulties in renewing or replacing such leases as they expire, no assurance can be given in this regard.

#### *Intellectual Property*

New Look is currently the owner of registered trademarks in Canada, the most significant of which are the “NEW LOOK”, “LUNETTERIE NEW LOOK”, and “NEW LOOK EYEWEAR” trademarks under which New Look does business. “EVOLUTION HD” and “ULTRA EVOLUTION HD” are trademarks owned by New Look describing New Look’s digitally-fabricated lenses. Management believes that New Look’s trade names and trademarks are important to its competitive position. New Look also licenses certain computer software and patents in connection with its lens processing activities.

#### *Human Resources*

As at December 31, 2009, New Look had a total of approximately 629 full and part-time employees. Employees are located at New Look’s various stores across Québec and eastern Ontario, at its administrative offices in Québec City, its laboratory and distribution centre in Ville St-Laurent and its head office in Montréal. New Look has no unionized employees. Management considers its relations with its employees to be good and, as of the date hereof, New Look has not experienced any work stoppages that have had a material impact on its operations.

#### *Seasonality*

New Look has not generally experienced high seasonal fluctuations in quarterly revenues.

#### *Competition*

The retail optical industry is highly competitive. New Look believes that its largest competitors in Québec are Greiche & Scaff, Costco Wholesale and Les Lunetteries F. Farhat. Another competitor, LensCrafters, which has six (6) stores in the Province of Québec and four (4) stores in Ottawa, is part of the retail division of Luxottica Group, a 6,200-store worldwide retail and manufacturing organization that possesses significant economies of scale. In addition, New Look faces competition from department stores, large mass-merchandising stores and warehouse clubs, such as The Bay, Sears and Wal-Mart which offer in-store optical departments. Moreover, New Look faces competition from individually owned operations by optometrists and opticians, who often are members of networks or buying groups such as “IRIS” and Optometric Services Inc. Significant competitors in eastern Ontario include, Hakim Optical, Laurier Optical and Luxottica Group, which operates retail optical chains under the names of “Pearle Vision” and “LensCrafters”. New Look attempts, to the extent possible, to counter competition on the basis of price, service and quality. Lenses generally require secondary processing before they can be used by the consumer. New Look has the ability to carry out this secondary processing at its lens laboratory. Although some of the larger retail chains (such as LensCrafters) carry-out certain secondary processing activities in-house, most retail optical businesses in Québec and the rest of Canada must outsource all or part of this secondary processing to third party laboratories, resulting in higher lens costs. Management believes that New Look’s investment in its lens processing laboratory has significantly strengthened its competitive position in the Québec and eastern Ontario markets. In addition, New Look’s lens processing capabilities represent a major competitive advantage and would take considerable time and cost for a new or existing competitor to replicate.

Moreover, the sale of prescription eyewear products in Québec and the rest of Canada requires significant know-how and expertise across a wide-range of lens materials and lens processing and coating techniques. A key element of this expertise lies in the relationship New Look has developed with a network of independent optometrists and with opticians. Eye exams may only be performed by an optometrist or an ophthalmologist, and both optometrists and opticians are legally permitted to cut, fit and/or sell prescription lenses in Québec.

New Look’s future performance will be dependent on its continuing ability to successfully develop and market its trade name, the quality of its products and services, the effectiveness of its supply chain and its ability to maintain its relationships with independent optometrists and with opticians.

### *Regulation*

The eye care industry is regulated by industry associations (principally optometrists and opticians) subject to provincial government supervision. Only licensed opticians and optometrists are entitled to sell ophthalmic lenses. While this framework provides barriers to competitive entry at certain levels, the lack of available optometrists and opticians at certain times can present a problem in the industry in Québec and Ontario.

### *Environment*

New Look believes that it is in substantial compliance with all environmental and health and safety laws to which it is subject. New Look's processing activities in its laboratory are subject to minimal environmental protection requirements. Accordingly, environmental protection requirements do not have and are not expected to have significant financial and operational effects on New Look's business.

### **3.5 RECEIPT OF THE CMN ESCROWED SALE PROCEEDS**

The CMN Escrowed Sale Proceeds in the amount of \$1,077,000 (US\$891,000) as of December 31, 2008 was received in October 2009, along with the accrued interest except for an amount of \$27,000 representing New Look's share in an indemnity claim. The net amount received, taking into account a loss on foreign exchange, of \$1,023,000 (US\$960,000) was set aside to purchase laboratory equipment at the end of 2009 and at the beginning of 2010.

### **3.6 RISK FACTORS**

The following are certain risk factors relating to New Look. The following information is only a summary of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this AIF. These risks and uncertainties are not the only ones facing New Look. Additional risks and uncertainties not currently known to New Look, or that New Look currently considers immaterial, may also impair the operations of New Look. If any such risks actually occur, the business, financial condition, or liquidity and the results of operations could be materially adversely affected and, hence, the eventual ability of New Look to pay dividends could also be materially adversely affected.

#### ***Risks Relating to the Business***

##### *Competition*

There can be no assurance that New Look will be able to compete effectively for the acquisition of additional market share, that additional competitors will not enter the market; that such competition will not make it more difficult or expensive for New Look to do business, or that competitive pressures in the provision of particular modalities in a geographic region will not otherwise adversely affect New Look. The worldwide retail optical industry is currently dominated by a number of large competitors with considerably greater resources and purchasing power than New Look. While Management believes that such competitors have not yet established a significant presence in Québec or in eastern Ontario, there can be no assurance that such competitors will not enter the Québec or eastern Ontario markets in the future.

##### *Key Personnel*

New Look's success depends on the skills, experience and effort of its senior management and employees. The loss of services of one or more members of New Look's key senior management personnel could significantly weaken New Look's management expertise and its ability to deliver its services efficiently and profitably.

In addition, the success of New Look's retail optical business depends on the availability of qualified professionals such as optometrists, whose primary responsibility is to perform eye exams from leased premises within New Look's stores, or in premises adjacent to New Look's stores, and such as opticians, whose responsibility is to dispense, measure and adjust prescription lenses to a customer's specific needs and requirements. Currently a

shortage of such qualified professionals exists both in Québec and in the rest of Canada. While Management believes that New Look is sufficiently staffed to provide services to customers effectively, the loss of eye care professionals or the inability to recruit these individuals in New Look's markets could adversely affect New Look's ability to operate its business efficiently and profitably.

#### *Regulatory Approvals and Regulations*

The orders of optometrists and opticians provide a regulatory environment under which New Look stores must be operated. Operating in such an environment requires that the New Look stores conform to the standards of both orders.

#### *Laser Surgery*

More and more Canadians are turning to laser eye surgery to permanently correct vision as an alternative to wearing eyeglasses or contact lenses. Continued research and development in laser surgery treatment could lead to an increase in the market share of such surgery at the expense of the contact lens and eyeglasses market. Nevertheless, Management believes that these techniques have not and will not have a material impact on sales of prescription eyewear in the near future.

#### *Acquisition and Integration*

Management may consider purchasing companies that fit particular niches within New Look's overall corporate strategy. These acquisitions involve the commitment of capital and other resources, and large acquisitions will have a major financial impact in the year of acquisition and beyond. The speed and effectiveness with which New Look integrates acquired companies into its existing businesses can have a significant short-term impact on New Look's ability to achieve its growth and profitability targets.

New Look may pursue growth through acquisitions. There is no assurance that it will be able to acquire businesses, including, but not limited to, independent retail optical businesses, on satisfactory terms, or at all. The successful integration and management of acquired businesses involves numerous risks that could adversely affect New Look's growth and profitability, including that:

- (a) New Look's management may not be able to successfully manage the acquired operations and the integration may place significant demands on its management, thereby diverting their attention from existing operations;
- (b) New Look's operational, financial and management systems may be incompatible with or inadequate to integrate effectively and to manage acquired systems;
- (c) acquisitions may require substantial financial resources that could otherwise be used in the development of other aspects of the business of New Look;
- (d) acquisitions may result in liabilities and contingencies which could be significant to the operations of New Look; and
- (e) personnel from New Look's acquisitions and its existing businesses may not be able to work together successfully, thereby impacting negatively its existing business.

There is no assurance that New Look will be able to successfully integrate its acquisitions and its failure to do so could adversely affect the business, operating results and financial condition of New Look.

#### *Foreign Sourcing*

New Look, as do most of its competitors, sources a majority of its lenses and frames from independent foreign manufacturers, many of which are located primarily in Asia and Europe. Risks associated with foreign sourcing

include economic and political instability, transportation delays and interruptions, restrictive actions by foreign governments, inability to meet New Look's quality standards, production delays, duties, trade and foreign tax laws, fluctuations in currency exchange rates and restrictions on the transfer of funds, tariffs and quotas and boycotts or other actions prompted by domestic concerns regarding foreign labour practices. Any event causing a sudden disruption of imports from Asia, including a disruption due to financial difficulties of a supplier, could have a material adverse effect on New Look. New Look regularly seeks out new sources of supply and sub-contractors to minimize the impact of potential disruptions. New Look has not historically experienced material adverse effects from foreign sourcing of finished goods.

#### *Confidentiality of Personal and Health Information*

The collection, use and disclosure of client personal and health information are subject to substantial regulation by federal and, in most cases, provincial governments. These laws provide that an individual's consent is required prior to the collection, use and disclosure of information collected from them (with limited prescribed exceptions); that the collected information be protected with reasonable security measures; and that the individual have access to the information so collected in order to ensure its accuracy. In addition, future legislation may affect the dissemination of health information that is not individually identifiable. Opticians and other persons providing patient information to New Look are also required to comply with these laws and regulations. If a client's privacy is violated, or if New Look is found to have violated any law or regulation, it could be liable for damages or for criminal fines or penalties.

#### *Technological Change and Obsolescence*

Lens processing technology is constantly undergoing development and change. New technologies may be developed, or existing technologies refined, which could render New Look's existing equipment technologically or economically obsolete. Due to cost factors, competitive considerations or other constraints, there can be no assurance that New Look will be able to acquire or have access to any new or improved equipment that New Look may need in order to serve its clients and customers. Any inability of New Look to provide state-of-the-art technologies may adversely affect New Look's ability to attract customers, and, accordingly, its business, financial condition and results of operations.

#### *Interest Rate Fluctuations*

New Look is subject to short term interest rate fluctuations. An important portion of New Look's long-term debt is based on a variable interest rate. An increase of the prime rate will increase the interest expenses of New Look. In order to mitigate this risk, when appropriate, Management could convert part of the long-term debt into a fixed-rate debt or use derivatives having the same effect.

#### *Information Technology Systems*

New Look's business depends on the continued and uninterrupted performance of New Look's information technology systems and computer assisted production equipment. Sustained system failures or interruptions could disrupt New Look's ability to operate effectively. New Look's business, results of operations and financial condition could be adversely affected by a system failure.

New Look's computer systems are vulnerable to damage from a variety of sources, including telecommunications failures, malicious human acts and natural disasters. Moreover, despite network security measures, some of New Look's servers are potentially vulnerable to physical or electronic break-ins, computer viruses and similar disruptive problems. Despite precautions taken by New Look, unanticipated problems affecting New Look's systems could cause interruption in its information technology systems for which New Look's insurance policies may not provide adequate compensation.

### *Litigation and Insurance*

From time to time during the normal course of business, New Look may be subject to litigation. At the present time there is no material outstanding litigation that is not covered by New Look's insurance policies and that could have a material adverse impact on New Look's ability to pay dividends, nor is New Look aware of any such threatened or pending litigation which could have any such material adverse impact.

New Look maintains an insurance program with liability coverage up to \$11 million to protect New Look from the financial risk associated with a claim made against it. In addition, New Look maintains directors and officers, general civil liability and tenant liability insurance in amounts it believes are sufficient to cover potential claims arising out of its operations. Some claims, however, could exceed the scope of its coverage or the coverage of particular claims could be denied.

New Look's ability to maintain insurance coverage with adequate limits and at a reasonable cost may be impacted by market conditions beyond its control. There is no assurance that the existing coverage will continue to be sufficient or that, in the future, policies will be available at adequate levels of insurance or at acceptable costs. Litigation could adversely affect New Look's existing and potential client relationships, create adverse public relations and divert management's time and resources from the operation of the business.

Due to the nature of the services provided by New Look, general liability claims may be asserted against New Look with respect to the services provided to customers. Although New Look carries insurance in amounts which are standard in Canada for the operation of eye care facilities, there can be no assurance that New Look will have obtained coverage of sufficient scope to satisfy any particular liability claim, although professional liability insurance will be the sole responsibility of the eye care professionals contracted or employed by New Look. Any such claims that exceed the scope of coverage or applicable policy limits could have a material adverse effect on New Look's business, financial condition and results of operations.

### *External Events*

External public health events, including natural disasters, disease outbreaks or acts of terrorism could have a material adverse effect on New Look's performance. Furthermore, changes in economic conditions may influence New Look's business, consumer preference and spending patterns. Sales may be negatively affected by changes in economic conditions which are outside of New Look's control.

### *Uncertainty of Liquidity and Capital Requirements*

The future capital requirements of New Look depend on many factors, including the rate of growth of its client base, the costs of expanding into new markets, the growth of the market for eye care services and the costs of administering New Look. In order to meet such capital requirements, New Look may consider reducing its dividends, raising capital by additional public or private financing (including the incurrence of debt and the issuance of additional shares) to fund all or a part of particular programs, which could entail dilution of the net tangible book value of New Look shares. There can be no assurance that additional funding will be available or, if available, that it will be available on acceptable terms. If adequate funds are not available, New Look may have to reduce substantially or otherwise eliminate certain expenditures, including marketing of its products and services, or obtain funds through arrangements with corporate partners that may require New Look to relinquish rights to certain of its technologies or products. There can be no assurance that New Look will be able to raise additional capital if its capital resources are depleted or exhausted.

### *Foreign Currency Risk*

New Look is exposed to foreign currency fluctuations with regard to purchases of certain goods in the normal course of business. In the 2009 fiscal year, such purchases represented US\$3,095,000 and €152,000. The strengthening of the US dollar and Euro negatively impacts the cost of goods for New Look. In order to mitigate this risk, Management has established a policy of purchasing exchange contracts covering approximately 50% of the purchases in US dollars forecasted for the next 12 months.

### *Provisions for Income Taxes may not be Sufficient*

The computation of the provision for income taxes involves tax interpretations regarding matters such as the deductibility of expenses and the calculation of tax credits. Tax filings are subject to audit by taxation authorities. There is no assurance that the tax filings by New Look, Former New Look or the Fund will not be disputed by taxation authorities. Disagreements with applicable taxation authorities could have a material adverse effect on New Look. See “- *Risks Relating to the Acquisition of Sonomax*” below for more specific comments on income tax related risks.

### ***Risks Relating to the Acquisition of Sonomax***

New Look is a corporation resulting from the amalgamation of Former New Look and Sonomax. As such, New Look may also be responsible for the obligations of Sonomax existing before the amalgamation.

### *Third Party Credit/Contractual/Operational Risks*

New Look is or may be exposed to third party credit/contractual/operational risk relating to obligations of Sonomax, including with respect to intellectual property matters. The Fund and Former New Look have, through the conditions of the Arrangement Agreement and the terms and conditions of the Transfer Agreement and the Indemnity Agreement, attempted to ensure that the liabilities and obligations relating to the business of Sonomax are transferred to and assumed by New Sonomax Operating Company, and that New Look is released from such obligations. However, where such transfers or releases are not effective or are not obtained, New Look is subject to third party creditor/contractual/operational risk relating to the obligations of Sonomax, New Sonomax and New Sonomax Operating Company. Should New Look become liable for such matters, it could have a material adverse effect on the business, financial conditions and results of operation of New Look.

### *Due Diligence Risks*

Although the Fund and Former New Look have conducted investigations of, and engaged legal counsel to review, the corporate, legal, financial, tax and business records of Sonomax to identify third party credit/contractual risk and to structure the transaction to protect against such risks, there may be liabilities or risks that the Fund and Former New Look may not have uncovered in their due diligence investigations, or that may have an unanticipated material adverse effect on New Look. These liabilities and risks could have, individually or in the aggregate, a material adverse effect on the business, financial condition and results of operations of New Look.

### *Reliance on the Indemnity Agreement*

The Fund and Former New Look have attempted to reduce the third party credit/contractual risk, due diligence risk and Sonomax operational risk by obtaining, for the benefit of New Look, the covenants under the Indemnity Agreement. The Fund and New Look believe that the protection afforded by the terms of the Indemnity Agreement reduces these risks to an acceptable level. However, this presumes that New Sonomax and New Sonomax Operating Company have the financial resources or necessary insurance coverage to meet their obligations under the Indemnity Agreement.

In the event that New Sonomax or New Sonomax Operating Company defaults on its contractual obligations under the Indemnity Agreement or becomes insolvent or bankrupt, New Look could become liable for the liabilities of Sonomax, New Sonomax and New Sonomax Operating Company, which could have a material adverse effect on the business, financial conditions and results of operation of New Look.

### *Income Taxes*

The conversion of the Fund into a corporation on March 2, 2010 has been made using provisions of the Tax Act intended to allow “specified investment flow-through trusts” (“SIFT”), such as the Fund, to convert their structure into corporate form on a tax-deferred basis. The plan of conversion used by the Fund has resulted in tax accounts of Sonomax being available for use by New Look.

New Look will file all required income tax returns and believes that it will be in full compliance with the provisions of the Tax Act and all applicable provincial legislation. However, such returns are subject to reassessment by all applicable taxation authorities. In the event of a successful reassessment of New Look, whether by re-characterization of certain expenditures or the disputing of the availability to New Look of any tax accounts of Sonomax, including non-capital loss-carryforwards, scientific research and experimental development expenditures pools, investment tax credits or otherwise, which tax accounts are estimated at over \$30 million, such reassessment may have an impact on current and future taxes payable of New Look and such impact may be material.

### ***Risks Relating to New Look Shares***

#### *Unpredictability and Volatility of New Look Shares*

The prices at which New Look shares will trade cannot be predicted. The market price of the shares is subject to significant fluctuations in response to variations in quarterly operating results and other factors. The annual yield on the shares as compared to the annual yield on other financial instruments may also influence the price of the shares in the public trading markets. In addition, the securities markets have experienced significant price and volume fluctuations from time to time in recent years that often have been unrelated or disproportionate to the operating performance of particular issuers. These broad fluctuations may adversely affect the market price of New Look shares.

#### *Dividends Are Not Guaranteed and Will Fluctuate with the Performance of New Look's Business*

Although New Look intends to declare quarterly dividends, there can be no assurance regarding the amounts of dividends. The actual amount of dividends paid depends upon numerous factors, including profitability, the availability and cost of acquisitions, fluctuations in working capital expenditures, applicable law, New Look's ability to maintain and increase its customer base and to sustain margins and fluctuations in working capital and capital expenditures, all of which are susceptible to a number of risks and other factors beyond the control of New Look. Dividends are not guaranteed and will fluctuate with New Look's performance.

#### *Structural Subordination of the Shares*

In the event of a bankruptcy, liquidation or reorganization of New Look, creditors will be entitled to payment of their claims from the assets of New Look before any assets are made available to shareholders.

#### *Leverage and Restrictive Covenants*

New Look has third-party debt service obligations under the Operating Credit Facilities. In addition, New Look may borrow additional funds from other third parties. The degree to which New Look is leveraged could significantly impact the amount of income to be generated by New Look and, therefore the amount available for distribution of dividends. The consequences for the shareholders of the borrowing activities of New Look include: (i) New Look's ability to obtain additional financing for working capital; (ii) a portion of New Look's cash flow from operations will be dedicated to the payment of the interest on its indebtedness, and (iii) certain of New Look's borrowings are at variable rates of interest, which exposes New Look to the risk of increased interest rates. New Look's ability to make scheduled payments of interest on, or to refinance, its indebtedness depends on its future cash flow, which is subject to the operations of its business, prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control. These factors might inhibit New Look from refinancing the indebtedness on favourable terms, or at all.

The Operating Credit Facilities contain restrictive covenants that limit the discretion of the borrower's management with respect to certain business matters and may, in certain circumstances, restrict New Look's ability to pay dividends. These covenants place restrictions on, among other things, the ability of the borrower to incur additional indebtedness outside the ordinary course of business, to create other security interests, to complete mergers, amalgamations and acquisitions, make capital expenditures and to pay dividends or make certain other payments, investments, loans and guarantees. The Operating Credit Facilities also contain financial covenants requiring the

borrower to satisfy financial ratios and tests. A failure of the borrower to comply with its obligations under the Operating Credit Facilities could result in an event of default which, if not cured or waived, could permit the acceleration of the relevant indebtedness. The Operating Credit Facilities are secured by customary security for transactions of this type, including first ranking security over all present and future personal property of the borrower. If the borrower is not able to meet its debt service obligations, it risks the loss of some or all of its assets to foreclosure or sale. There can be no assurance that, if the indebtedness under the Operating Credit Facilities were to be accelerated, the borrower's assets would be sufficient to repay that indebtedness in full.

It is possible that New Look will have to refinance its short-term debt on or prior to the date the Operating Credit Facilities expire. If the Operating Credit Facilities are replaced by new debt that has less favourable terms or if New Look cannot refinance its debt, funds available for dividends may be adversely impacted.

#### *Capital Investment*

The timing and amount of capital expenditures by New Look will directly affect the amount available for distribution as dividends. Such distributions may be reduced, or even eliminated, at times when the board of directors of New Look deems it necessary to make significant capital or other expenditures.

#### *Future Sales of Shares*

The sales of a substantial number of shares in the public market or otherwise by Benvest Holdings Limited or other shareholders could adversely affect the prevailing market price of the shares and could impair New Look's ability to raise additional capital through an offering of its equity securities.

### **ITEM 4 - DIVIDEND POLICY**

#### **4.1 DIVIDENDS**

New Look intends to declare quarterly dividends. The initial quarterly rate is expected to be \$0.15 (\$0.60 per annum) subject to New Look's ongoing operating results, optical market conditions in which it is operating and, other factors normally associated with the declaration of dividends by a corporation. Unless special circumstances occur such as an acquisition of a business, it is expected that New Look will designate the dividends paid as "eligible dividends", i.e. dividends entitling individuals residing in Canada to enhanced dividend tax credit. The decision to declare a dividend will be made quarterly and there is no guarantee that dividends will be declared in the future.

#### **4.2 HISTORY OF CASH DISTRIBUTIONS BY THE FUND**

Cash distributions declared to Unitholders and dividends declared to holders of exchangeable shares of Former New Look since May 1, 2005 were as follows.

*In thousands of dollars, except per unit of share amounts*

		Distribution per Unit \$	Dividend per Exchangeable Share \$	Total Distributions and Dividends \$
2005	8 months	0.3246	0.2335	2,738
2006	12 months	0.5454	0.4042	4,684
2007	12 months	0.6105	0.4656	5,332
2008	12 months	0.6357	0.4918	5,619
2009	12 months	0.6500	0.5116	5,924

## ITEM 5 - DESCRIPTION OF CAPITAL STRUCTURE

New Look is authorized to issue an unlimited number of Class A common shares, an unlimited number of First Preferred Shares and an unlimited number of Class A preferred shares. As of March 18, 2010, there were 10,023,732 Class A common shares and 174,000 Class A preferred shares issued and outstanding and there were no First Preferred Shares issued and outstanding.

The Class A common shares were issued on March 2, 2010, on a one-for-one basis, in exchange of the Units of the Fund and the Exchangeable Shares of Former New Look. The holders of Class A common shares are entitled to: (i) subject to the rights of the holders of the First Preferred Shares and any other class of shares ranking senior to the Class A common shares, dividends if, as and when declared by the Board of Directors of New Look; (ii) one (1) vote per share at meetings of shareholders; and (iii) subject to the rights of the holders of the Class A preferred shares, the First Preferred Shares and any other class of shares ranking senior to the Class A common shares, upon liquidation, dissolution or winding up of New Look or other distribution of the assets of New Look among its shareholders for the purposes of winding up its affairs, participate rateably in the distribution of the assets of New Look. New Look may from time to time agree to purchase any issued Class A common shares from any holder and such purchase need not be made *pro rata* from the holders of such Class A common shares. The holders of not less than five percent (5%) of the issued and outstanding Class A common shares shall be entitled to requisition the directors of New Look to call a meeting of New Look's shareholders in accordance with the provisions of the CBCA.

The Class A preferred shares were issued to reflect the balance payable in the amount of \$174,000 to New Sonomax pursuant to the Arrangement. The holders of Class A preferred shares are entitled to: (i) in their discretion and at all times, demand that New Look redeem all or any of the said shares registered in the name of the holder in the books of New Look, by presenting to New Look, at its registered office, a share certificate representing the Class A preferred shares for an amount equal to \$1.00 less the amount of any promissory notes issued in consideration thereof for each Class A preferred share held; and (ii) upon liquidation, dissolution or winding up of New Look or other distribution of the assets of New Look among its shareholders for the purposes of winding up its affairs, receive, in preference to the holders of Class A common shares, an amount equal to \$1.00 less the amount of any promissory notes issued in consideration thereof for each Class A preferred share held. New Look may from time to time redeem any issued Class A preferred shares from any holder thereof for an amount equal to \$1.00 less the amount of any promissory notes issued in consideration thereof for each Class A preferred share held and such redemption need not be made *pro rata* from the holders of such Class A preferred shares. Subject to the provisions of the CBCA, holders of Class A preferred shares shall not be entitled, in that capacity alone, to vote at meetings of the shareholders of New Look, to attend same or to receive notice thereof. The holders of the Class A preferred shares shall not be entitled to receive dividends.

The Class A preferred shares are subject to an escrow agreement, and are redeemable as follows: 1/3 of the shares redeemable 6 months after closing of the Arrangement, 1/3 of the shares 12 months after closing of the Arrangement, and the balance of the shares 24 months after closing of the Arrangement, the whole subject to certain terms and conditions. For accounting purposes, the Class A preferred shares are presented as a liability instead of an equity item.

The First Preferred Shares may be issued from time to time in one or more series and, the Board of Directors of New Look is authorized to fix, from time to time before issuance, the number of shares in and the designation, rights, privileges, restrictions and conditions attaching to the shares of each series of First Preferred Shares.

## ITEM 6 - MARKET FOR SECURITIES

### 6.1 PRICE RANGE IN 2009

Until the completion of the Arrangement on March 2, 2010, the Units of the Fund were listed on the TSX under the symbol "BCI.UN". The following table shows the price ranges and volume traded in 2009 for the Units:

<u>January to December 2009</u>	<u>High</u>	<u>Low</u>	<u>Volume Traded</u>
January	5.50	5.15	34,075
February	5.05	4.50	650
March	4.89	4.50	15,700
April	5.10	4.89	75,300
May	5.80	5.25	38,700
June	5.65	5.50	24,950
July	5.51	5.06	17,200
August	5.60	5.20	15,050
September	6.22	5.50	7,356
October	7.09	5.71	6,362
November	6.00	5.53	5,197
December	6.49	5.41	153,910

The Exchangeable Shares were not listed on the TSX or any other stock exchange or quotation system.

Since March 5, 2010, the Class A common shares of New Look are traded on the TSX under the symbol "BCI".

### 6.2 NORMAL COURSE ISSUER BID

In April 2009, the Fund received approval from the TSX to proceed with a normal course issuer bid. Under the bid, the Fund was authorized to purchase up to 300,583 Units, which was the equivalent of 5% of outstanding Units as at April 27, 2009, subject to a daily limit of 1,000 Units. The bid started on May 1, 2009 and it was authorized to continue until April 30, 2010. The normal course issuer bid started by the Fund continues with regard to Class A common shares of New Look having replaced the former Units. The following description initially applied to the Units but since March 2, 2010 now applies to Class A common shares of New Look.

Under the bid, Class A common shares of New Look may be purchased on behalf of New Look by a registered broker through the facilities of the TSX pursuant to the terms of an automatic unit purchase plan. The automatic unit purchase plan has been implemented with a registered broker in order to facilitate repurchases of shares under the normal course issuer bid. Under the plan, New Look's broker may repurchase shares under the normal course issuer bid at any time including, without limitation, when New Look would ordinarily not be permitted to due to regulatory restrictions or self-imposed blackout periods. Purchases are made by New Look's broker based upon the parameters prescribed by the TSX and applicable Canadian securities laws and the terms of the parties' written agreement. The automatic unit purchase plan has been reviewed by the TSX and was implemented effective May 1, 2009 and for the duration of the bid. The price paid for the shares is the market price at the time of acquisition and the number of shares purchased and the timing of any such purchases is determined by New Look, subject to the terms of an automatic unit purchase plan. All shares purchased by New Look are then cancelled.

New Look believes that its shares may trade in price ranges which do not fully reflect the value of the shares. As a result, New Look believes that the purchase of its outstanding shares may represent an appropriate use of its funds. From the inception of the normal course issuer bid to the end of 2009, the Fund has repurchased 46,000 Units at an average price of \$5.49 for a total of \$252,000.

## ITEM 7 - DIRECTORS AND OFFICERS

### 7.1 DIRECTORS

Pursuant to its articles of amalgamation, New Look must have a minimum of three (3) directors and a maximum of twelve (12) directors, with the number of directors from time to time within such range being fixed by resolution of the directors. Pursuant to a resolution of the directors, the number of directors to be elected at New Look's annual meeting of shareholders to be held on May 13, 2010 has been determined to be seven (7).

The following table sets out the name and municipality of residence of each current directors of New Look, his current position(s) or office(s) with New Look, his principal occupation, the number of shares owned by him or over which he exercises control or direction as of March 18, 2010 and the date on which he became a director of Benvest (New Look's ultimate predecessor). Mr. Martial Gagné, President of New Look, will seek election as director at New Look's annual meeting of shareholders to be held on May 13, 2010.

Name and Municipality of Residence	Position or Office Held	Principal Occupation	Number of Shares <sup>(1)</sup>	Director Since
W. JOHN BENNETT Montréal, Québec (Canada) <sup>(3) (5) (6)</sup>	Chairman of the Board of Directors and the Executive Committee	Chairman of the Board and Chief Executive Officer of Benvest Holdings Limited	760,015 <sup>(2)</sup>	1991
RICHARD CHERNEY Montréal, Québec (Canada) <sup>(3) (5) (6)</sup>	Director Secretary of New Look	Managing Partner, Davies Ward Phillips & Vineberg LLP (Montréal) (lawyers)	8,000	1998
M. WILLIAM CLEMAN Montréal, Québec (Canada) <sup>(3) (4) (5) (6)</sup>	Director	Management Consultant, Cleman Consulting Inc.	52,000	2004
PAUL S. ECHENBERG Montréal, Québec (Canada) <sup>(3) (4) (6)</sup>	Director	President and Chief Executive Officer, Schroders & Associates, Canada Inc.	170,000 <sup>(2)</sup>	1991
WILLIAM R. FERGUSON Montréal, Québec (Canada) <sup>(4) (6)</sup>	Director	President, Eric T. Webster Foundation	148,850 <sup>(2)</sup>	1993
C. EMMETT PEARSON Montréal, Québec (Canada) <sup>(3) (6)</sup>	Director	Mentor assisting the President of New Look	458,000 <sup>(2)</sup>	1995

<sup>(1)</sup> The individuals named above provided the information disclosed above as to the number of shares they beneficially own or over which they control or exercise direction, because this information is not within the knowledge of New Look.

<sup>(2)</sup> Benvest Holdings Limited owns 4,764,200 Class A common shares of New Look. W. John Bennett indirectly beneficially owns all of the voting shares of Benvest Holdings Limited, which voting shares represent approximately 66.6% of the equity thereof; furthermore, W. John Bennett, C. Emmett Pearson, William R. Ferguson and Paul S. Echenberg own or control (directly or indirectly) non-voting shares of Benvest Holdings Limited approximately representing 7.1%, 2.5%, 3.7% and 1.9% respectively, of the equity thereof.

<sup>(3)</sup> Member of the Executive Committee of New Look.

<sup>(4)</sup> Member of the Audit Committee of New Look.

<sup>(5)</sup> Member of the Human Resources and Compensation Committee of New Look.

<sup>(6)</sup> The Board of Directors of New Look as a whole acts as the Corporate Governance Committee of New Look.

The following are brief biographies of the current directors of New Look:

MTL#: 1765975.7

**W. John Bennett** is the Chairman of the Board of Directors of New Look. Prior to the Arrangement, he was Chairman of the Board of Trustees of the Fund, a director of Former New Look and Chairman of the Executive Committee of Former New Look. Prior to the creation of the Fund in 2005, he was the Chairman and Chief Executive Officer of Benvest of which he was the founder and a director since 1991. Since May 1, 2005, his principal occupation has been as Chairman of the Board and Chief executive Officer of Benvest Holdings Limited, an investment holding company. He is an experienced merchant banker and private investor. Mr. Bennett had a long and distinguished career as an executive and investment banker at Scotia McLeod Inc. (now Scotia Capital Inc.). Prior to his retirement in 1989, he was Executive Vice President and member of the Executive Committee of Scotia McLeod Inc. From 1989 to 1991, Mr. Bennett was President and Chief Executive Officer of a financial holding company owned by a major Canadian conglomerate. He has been a director of many Canadian public and private companies. Mr. Bennett also serves as trustee of several Canadian charitable and educational foundations. He has an Honours B.A. (1967) from the University of Toronto, an L.L.B. (1970) from the Faculty of Law, University of Toronto, and is a member of the Law Society of Upper Canada.

**Richard Cherney** is an attorney and is co-managing director of the Montréal office of Davies Ward Phillips & Vineberg LLP. He has a varied practice, representing public and private companies in various industrial and commercial sectors. As well, he represents a number of national investment dealers in connection with financings of many Canadian corporations, and sits on the board of directors of public and private companies. Mr. Cherney completed his B.A. (1979) at Concordia University and his L.L.B. (1984) at McGill University. He was a director of Benvest from 1998 until the creation of the Fund in 2005 and thereafter he was a trustee of the Fund and a director of Former New Look until the completion of the Arrangement in March 2010.

**M. William Cleman** is an experienced operating and financial executive in the retail and real estate sectors. Mr. Cleman is a corporate director and consultant. He retired as Chairman and Chief Executive Officer of Bouclair Inc., a Montréal based retail chain in the home furnishings sector, in 2003. He was a director of Benvest from 2004 until the creation of the Fund in 2005. Previously, Mr. Cleman had held senior positions at Bouclair since 1994. From 1989 to 1994, he was a partner in Cleman Ludmer Steinberg Inc., a merchant bank. From 1971 to 1989, Mr. Cleman had a successful career at Steinberg Inc., a major food retailer and real estate company. His title at the time of his departure in 1989 was Executive Vice President, Steinberg and Chairman and Chief Executive Officer of Ivanhoe Inc. He holds a bachelor of commerce degree from McGill University (1970) and a Masters of Business Administration degree from the University of Western Ontario (1972). He was a director of Benvest from 2004 until the creation of the Fund in 2005 and thereafter a trustee of the Fund and a director of Former New Look until the completion of the Arrangement in March 2010.

**Paul S. Echenberg** is an experienced operating and financial and private equity executive. Mr. Echenberg joined Schroders & Associates Canada Inc. in 1996 as President and Chief Executive Officer. From 1970 to 1989, he was President and Chief Executive Officer of Twinpak Inc. and Executive Vice President of CB Pak Inc., two companies involved in the manufacturing and distribution of plastic, glass and paper packaging products, with combined sales in excess of \$1.3 billion in North America and Europe. In 1989, Mr. Echenberg founded Eckvest Equity Inc., which was involved in Mergers & Acquisitions activities, debt restructuring and strategic planning. With two other professionals, he founded BDE & Partners in 1991 to provide specialized investment banking and strategic advisory services. He served as Chairman of the Board of EZEM Inc. (AMEX) and he served as Chairman of the Board of AngioDynamics Inc. (NASDAQ). He also sits on the Board of Directors of several other public and private companies. He is a graduate of McGill University (B.Sc., Great Distinction, 1964) and of the Harvard Graduate School of Business Administration (MBA, Distinction, 1967). He was a director of Benvest from 1991 until the creation of the Fund in 2005 and thereafter a trustee of the Fund and a director of Former New Look until the completion of the Arrangement in March 2010.

**William R. Ferguson**, CMA, is a private investor and served as a director on many corporate boards. Mr. Ferguson has had a long and distinguished career working for the late Howard Webster at The R. Howard Webster Foundation as a trustee and Vice President. Prior to his retirement in 1993 as Chief Executive Officer of the Imperial Trust Company, he oversaw the management and control of several U.S. and Canadian companies for 25 years. Those companies involved real estate, security investments, newspaper holdings, professional sport teams and a cattle breeding ranch. Until recently, Mr. Ferguson was involved in many venture capital businesses. He is an active trustee of the Québec Labrador Foundation and Charlottetown Confederation Centre of the Arts. He was a

director of Benvest from 1993 until the creation of the Fund in 2005 and thereafter he was a trustee of the Fund and director of Former New Look until the Arrangement in March 2010.

**C. Emmett Pearson, CA**, was a trustee of the Fund and the Chairman of the Board of Former New Look until the Arrangement. He joined Benvest as Managing Director in September 1995 and became President in 1999. He was appointed President and Chief Executive Officer of NLI upon Benvest acquiring control of NLI in May 2001, which position he held until December 31, 2007. Effective January 1, 2008, he became Chairman of Former New Look when Martial Gagné was appointed President of Former New Look. Mr. Pearson benefits from over 25 years of retail and business experience prior to joining Benvest. From 1989 to 1995, he was Senior and then Executive Vice President of Continental Pharma Cryosan Inc. (“CPCI”), a multi-divisional public healthcare company, where he was a key member of management that turned around that company. CPCI had 3,000 employees in Canada, the United States and Europe. While at CPCI’s home health division which delivered medical services in 13 states, Mr. Pearson acquired valuable experience in operating a retail business in a medically regulated environment. From 1969 to 1989, Mr. Pearson held several positions at a large hardware and furniture retailer with operations in Québec and Ontario, culminating as Vice President, Finance and director and member of the Executive Committee. Mr. Pearson became a Chartered Accountant (CA) in 1968.

## 7.2 EXECUTIVE OFFICERS OF NEW LOOK

New Look’s current senior management team, as at December 31, 2009, consists of seven senior executives having an average of over 20 years experience in the optical or retail industry. These executives bring a broad array of experience and proven leadership to New Look and will play important roles in support of New Look’s continued growth.

The table below sets forth the name, municipality of residence, and position and office held in New Look of each executive officer of New Look.

<u>Name and Municipality of Residence</u>	<u>Position/Office with New Look</u>
MARTIAL GAGNÉ, CMA Québec, Québec (Canada)	President
CLAIRE BOULANGER Boucherville, Québec (Canada)	Vice President, Real Estate and Development
JEAN-LUC DESCHAMPS, CA Montréal, Québec (Canada)	Senior Vice President and Chief Financial Officer
MARIO PAGEAU, o.o.d. Saint-Hubert, Québec (Canada)	Vice President, Optical Products and Services
FRANCE REIMNITZ Québec, Québec (Canada)	Vice President, Marketing and Merchandising
CAROLINE ROULEAU Québec, Québec (Canada)	Vice President, Professional Services and Human Resources
TERRY YANOFSKY Montréal, Québec (Canada)	Senior Vice President, Sales and Operations

**Martial Gagné, CMA**, was appointed President of Former New Look as of January 1, 2008. He previously was Senior Vice President and Chief Operating Officer of Former New Look. Mr. Gagné joined NLI in 2001 where he assumed increasing responsibilities in finance, information technology, marketing and merchandising. From 1998 to 2001, Mr. Gagné held various positions at Groupe René Marchand ending his career there as Director of Finance and Marketing. He also was involved in opening optical stores in Ontario and Western Canada. He became a

Certified Management Accountant (CMA) in 1992 after having earned a *Baccalauréat en administration des affaires* (B.A.A.) in 1990 and a Certificate in computer science in 1987, both from Laval University. Mr. Gagné is also President of the Fondation des maladies de l'oeil, the most important charity in Québec dedicated to research on eye diseases and associated with the eyewear industry.

**Claire Boulanger** has occupied the position of Vice President, Real Estate and Development of New Look since January 1, 2007. Ms. Boulanger joined New Look in January 2005 as Director of Real Estate and Development. Prior to joining New Look, Ms. Boulanger was, from 2003, Vice President of two restaurant franchisors in Montréal and was involved with operational policies and strategic planning. Between 2001 and 2003, she was Director of Real Estate of Second Cup in Toronto and was responsible for all lease negotiations and development for eastern Ontario, Québec, the Maritimes and British Columbia. Between 1998 and 2001, she was a principal in a real estate development company and a Vice President of a real estate services company in British Columbia. Ms. Boulanger was a regional manager for Western Canada for a major insurance company, developed and operated a pizza franchise business, was property manager for bankruptcy trustees and held several accounting positions, all in Montréal. She earned her Bachelor of Administration from Concordia University and became a Fellow of the Institute of Canadian Bankers in 1980, earned her CGA in 1983 and has earned various certificates related to insurance and property management. Ms. Boulanger has served as a director on several boards of industry related non-profit organizations and associations as well as on the board of the *Société immobilière du Québec* since 2004. She has recently obtained her Board Director Accreditation from the *Collège des administrateurs de sociétés* of Laval University.

**Jean-Luc Deschamps, CA**, was appointed Senior Vice President and Chief Financial Officer of New Look in November 2007. He is a chartered accountant with a degree in business administration from HEC, Montréal, and he has over 30 years of experience in business management, including accounting services, control performance measurement, financing and risk management. Most of his career has been with major public and private organizations in a variety of sectors, including Van Houtte, Cirque du Soleil, Gaz Métropolitain, Sodisco-Howden Group and Catelli.

**Mario Pageau** is currently Vice President, Optical Products and Services of New Look. He previously was Vice President, Laboratory and Distribution. Mr. Pageau joined New Look in 1987. He had left New Look in 1998 for a period of 2 years to become a store manager for IRIS and to open his own business. Mr. Pageau returned to New Look in 2001 as a Store Manager and was promoted to Regional Manager. Mr. Pageau became a Dispensing Optician (O.O.D.) in 1990.

**France Reimnitz** is currently Vice President, Marketing and Merchandising for New Look. Mrs. Reimnitz joined New Look in 1986 and assumed various functions relating to marketing and operations. She contributed to the opening of the first New Look stores. Mrs. Reimnitz previously was Director of Marketing Communications for New Look. She was promoted to her current position on June 1, 2009, after being Vice President, Sales and Marketing, for almost 3 years. Mrs. Reimnitz earned her B.A. in Economics in 1984 and a certificate in Public Relations and Marketing in 1985 from Laval University.

**Caroline Rouleau** is currently Vice President, Professional Development and Human Resources of New Look. Ms. Rouleau joined New Look in 1987 and started as a sales consultant in the stores. In 1991 she joined the human resources department and became Director of Human Resources in 1998. She was promoted to her present position in March 2006. Ms. Rouleau earned her B.A. in Administration majoring in Human resources from Laval University in 1991.

**Terry Yanofsky** joined New Look Eyewear in June 2009 as Vice President, Sales and Operations. She has a solid background in big box and specialty retail in both entrepreneurial and corporate environments. Ms. Yanofsky has over 25 years experience in store operations and multi-channel retail marketing and distribution. Prior to joining New Look Eyewear, Ms. Yanofsky was employed with Intrawest Corporation as Vice President of their Retail and Rental divisions, comprised of 150 sporting goods & apparel stores across North America. Prior to Intrawest she was with IKEA for 7 years as Vice President, Business Development and Services. Previous to that, Ms. Yanofsky owned and operated her own retail and wholesale business for 9 years. Ms. Yanofsky has earned a Bachelor of Arts degree, with a major in Psychology, from McGill University.

Immediately after the Arrangement on March 2, 2010, the directors and officers of New Look as a group, owned or controlled, directly or indirectly, 6,405,198 shares of New Look, representing approximately 64% of the votes attached to all outstanding shares.

### **7.3 AUDIT COMMITTEE**

New Look has an Audit Committee which is responsible for the oversight and supervision of the accounting and financial reporting practices and procedures, the adequacy of internal accounting controls and procedures, and the quality and integrity of financial statements. In addition, the Audit Committee is responsible for directing the auditors' examination into specific areas.

#### ***Composition and Education***

As at December 31, 2009, the Audit Committee was composed of William R. Ferguson, M. William Cleman and Paul S. Echenberg. The education and experience of each Audit Committee member that is relevant to such members' responsibilities as a member of the Audit Committee are set forth in the respective biographies which can be found under "Item 7 - Directors and Officers – Directors".

The directors of New Look have determined that each member of the Audit Committee is independent and financially literate. Independent means free from any direct or indirect material relationship with New Look which could, in the view of the directors, reasonably interfere with the exercise of a member's independent judgment as more particularly described in Multilateral Instrument 52-110 – *Audit Committees*.

Financially literate means having the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by New Look's financial statements.

#### ***Audit Committee Charter***

Set forth as Schedule A to this AIF is the full text of the Charter of the Audit Committee of New Look.

#### ***Pre-approval Policies and Procedures***

The Audit Committee has established a policy which requires pre-approval of all audit and non-audit services provided to New Look by New Look's external auditors, Raymond Chabot Grant Thornton LLP, Chartered Accountants.

The acceptance of audit and non-audit fees is confirmed by minutes of the Audit Committee. Between Audit Committee meetings, the Chief Financial Officer obtains authorization from the Chair of the Audit Committee, who has the responsibility to report his authorizations at the next meeting. The Chief Financial Officer may obtain special services from the auditors in an amount not exceeding \$5,000 per year without prior approval, but he must promptly inform the Chair of the Audit Committee of such engagement.

### **External Auditors Service Fees (By category)**

The fees billed by Raymond Chabot Grant Thornton LLP, Chartered Accountants, the Fund's external auditors, in the periods noted below for audit and non-audit services were as follows:

	<b>Fiscal period ended December 31, 2009</b>	<b>Fiscal period ended December 31, 2008</b>
Audit Fees	\$146,493	\$142,787
Audit-Related Fees	-	\$15,000 <sup>(1)</sup>
Tax Fees	\$23,010 <sup>(2)</sup>	\$4,500 <sup>(3)</sup>
All Other Fees	-	-
<b>Total</b>	<b>\$169,503</b>	<b>\$162,287</b>

(1) Consulting services related to new disclosure requirements pursuant to the CICA Handbook.

(2) Tax consulting services related to a due diligence process.

(3) Tax returns and tax planning.

### **7.4 INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

No director or officer of New Look or of a subsidiary, or any former trustee of the Fund, has or had a material interest, direct or indirect, in any material transaction of New Look nor do any such persons have a material interest in a proposed material transaction of New Look.

### **7.5 CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS**

To the knowledge of the directors and officers of New Look, no director or officer of New Look, except for Mr. C. Emmett Pearson:

- (a) is, as at the date of this AIF or has been, within the 10 years before the date of this AIF, a director or executive officer of any company, that, while that person was acting in that capacity:
  - (i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
  - (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
  - (iii) or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any

proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets.

Mr. C. Emmett Pearson was a director of The Fitness Company Holdings Group, Inc. (“TFC”), a corporation incorporated under the laws of the state of Delaware, within the last 10 years. In July 2007, TFC, the remaining portfolio investment related to former merchant banking activities of Benvest, filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code of the United States.

#### **ITEM 8 - INTEREST OF EXPERTS**

The financial statements of the Fund for the year ended December 31, 2009 have been audited by Raymond Chabot Grant Thornton LLP. As at December 31, 2009, the partners and associates of Raymond Chabot Grant Thornton LLP did not beneficially own, directly or indirectly, any Units of the Fund and did not, and will not, receive any securities of New Look after January 1, 2010.

#### **ITEM 9 - AUDITORS**

The auditors of the Fund for 2009 were Raymond Chabot Grant Thornton LLP, Chartered Accountants, located at 600 de La Gauchetière Street West, Montréal, Québec H3B 4L8. Raymond Chabot Grant Thornton LLP have been the auditors of the Fund since its inception in 2005. Previously they had been the auditors of Benvest, the predecessor of the Fund.

#### **ITEM 10 - TRANSFER AGENT AND REGISTRAR**

As of March 18, 2010, the registrar and transfer agent of the shares of New Look is Computershare Trust Company of Canada at its office in Montréal, Québec.

#### **ITEM 11 - MATERIAL CONTRACTS**

The only material contract, other than contracts entered into in the ordinary course of business, entered into by the Fund or Former New Look within the last financial year concerns the normal course issuer bid described under Item 6 – Market for Securities. Material contracts entered into by the Fund or Former New Look before the last financial year concerned the creation or maintenance of the trust structure; these contracts have ceased to be in effect with the completion of the Arrangement on March 2, 2010.

The only material contract entered into by the Fund and Former New Look after the last financial year is the Arrangement Agreement has allowed the conversion of the Fund into a corporation and the acquisition by New Look of a distribution licence from Sonomax.

#### **ITEM 12 - ADDITIONAL INFORMATION**

Additional information relating to New Look, the Fund and Former New Look may be found on the System for Electronic Document Analysis and Retrieval which can be accessed at [www.sedar.com](http://www.sedar.com). Additional information, including directors’ and officers’ remuneration and indebtedness, principal shareholders, and securities authorized for issuance under equity compensation plans, are contained in New Look’s information circular for its annual meeting of shareholders to be held on May 13, 2010.

For additional information and details, readers are referred to the annual financial statements and MD&A for the fiscal period ended on December 31, 2009, as well as the material contracts of the Fund and New Look, all of which are published separately and are available on SEDAR at [www.sedar.com](http://www.sedar.com).

## SCHEDULE A

### NEW LOOK EYEWEAR INC. AUDIT COMMITTEE CHARTER

#### 1. ESTABLISHMENT OF THE COMMITTEE

**1.1** Establishment of Audit Committee Confirmed – The establishment of the audit committee of the Board is hereby confirmed with the purpose, constitution and responsibilities set forth herein.

**1.2** Certain Definitions – In this Charter:

- (a) “Board” means the board of Directors of the Corporation;
- (b) “Chair” means the chairperson of the Committee;
- (c) “Charter” means this written charter of the Committee and any such charter for the Committee which the Board resolves from time to time shall be the charter of the Committee, as amended from time to time;
- (d) “Committee” means the audit committee of the Board;
- (e) “Corporation” means New Look Eyewear Inc.;
- (f) “Directors” means the directors of the Corporation and “Director” refers to any one of them;
- (g) “External Auditor” means the Corporation’s independent auditor;
- (h) “MD&A” means Management’s Discussion & Analysis as contemplated in NI 51-102; and
- (i) “Shareholders” means the holders of Class A common shares of the Corporation from time to time.

**1.3** Interpretation – The provisions of this Charter are subject to the provisions of the by-laws of the Corporation and to the applicable provisions of applicable legislation.

#### 2. PURPOSE

**2.1** Purpose – The primary purpose of the Committee is:

- (a) to assist Board oversight of:
  - (i) the integrity of the Corporation’s financial statements;
  - (ii) the Corporation’s compliance with legal and regulatory requirements, to the extent that such requirements are relevant to the integrity of the Corporation’s financial statements;
  - (iii) the External Auditor’s qualifications and independence; and
  - (iv) the performance of the External Auditor; and

- (b) to provide an open avenue of communication between the External Auditor, the Board and management.

### 3. CONSTITUTION AND FUNCTIONING OF THE COMMITTEE

**3.1** Number of Members – The Committee shall consist of not fewer than three members, each of whom shall be a Director.

#### **3.2** Appointment and Removal of Members of the Committee

- (a) *Board Appoints Members.* The members of the Committee shall be appointed by the Board, having considered the recommendation of the Governance and Compensation Committee of the Board.
- (b) *Annual Appointments.* The appointment of members of the Committee shall take place annually at the first meeting of the Board after a meeting of the Shareholders at which Directors are elected, provided that if the appointment of members of the Committee is not so made, the Directors who are then serving as members of the Committee shall continue as members of the Committee until their successors are appointed.
- (c) *Vacancies.* The Board may appoint a member to fill a vacancy which occurs in the Committee between annual elections of Directors.
- (d) *Removal of Member.* Any member of the Committee may be removed from the Committee by a resolution of the Board.

**3.3** Independence of Members – Each member of the Committee shall be independent or unrelated, as the case may be, for the purposes of all applicable regulatory and stock exchange requirements.

#### **3.4** Financial Literacy

- (a) *Financial Literacy Requirement.* Each member of the Committee shall be financially literate or must become financially literate within a reasonable period of time after his or her appointment to the Committee.
- (b) *Definition of Financial Literacy.* “Financially literate” means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation’s financial statements.

#### **3.5** Audit Committee Financial Expert

- (a) *Attributes of an Audit Committee Financial Expert.* To the extent possible, the Board will appoint to the Committee Directors who, as a group, have the following attributes:
  - (i) an understanding of Canadian generally accepted accounting principles and financial statements;
  - (ii) ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;
  - (iii) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation’s financial statements,

- or experience actively supervising one or more persons engaged in such activities;
  - (iv) an understanding of internal controls and procedures for financial reporting; and
  - (v) an understanding of audit committee functions.
- (b) *Experience of the Audit Committee Financial Expert.* To the extent possible, the Board will appoint to the Committee at least one Director who acquired the attributes in (a) above through:
- (i) education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions (or such other qualification as the Board interprets such qualification in its business judgment);
  - (ii) experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;
  - (iii) experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or
  - (iv) other relevant experience.

**3.6** Board Approval Required – No member of the Committee shall serve on more than three public company audit committees without the approval of the Board.

#### **4. COMMITTEE CHAIR**

**4.1** Board to Appoint Chair – The Board shall appoint the Chair from the members of the Committee (or, if it fails to do so, the members of the Committee shall appoint the Chair of the Committee from among its members).

**4.2** Chair to be Appointed Annually – The designation of the Committee’s Chair shall take place annually at the first meeting of the Board after a meeting of the Shareholders at which Directors are elected, provided that if the designation of Chair is not so made, the Director who is then serving as Chair shall continue as Chair until his or her successor is appointed.

#### **5. COMMITTEE MEETINGS**

**5.1** Quorum – A quorum of the Committee shall be a majority of its members.

**5.2** Secretary – The Chair shall designate from time to time a person who may, but need not, be a member of the Committee, to be Secretary of the Committee.

**5.3** Time and Place of Meetings - The time and place of the meetings of the Committee and the calling of meetings and the procedure in all things at such meetings shall be determined by the Committee; provided, however, the Committee shall meet at least quarterly.

**5.4** In Camera Meetings – Periodically, the Committee shall meet separately with each of:

- (a) management; and
- (b) the External Auditor.

**5.5** Right to Vote – Each member of the Committee shall have the right to vote on matters that come before the Committee.

**5.6** Invitees – The Committee may invite Directors, officers and employees of the Corporation or its subsidiaries or any other person to attend meetings of the Committee to assist in the discussion and examination of the matters under consideration by the Committee.

## **6. AUTHORITY OF COMMITTEE**

**6.1** Retaining and Compensating Advisors - The Committee shall have the authority to engage independent counsel and other advisors as the Committee may deem appropriate in its sole discretion and to set and pay the compensation for any such advisors. The Committee shall not be required to obtain the approval of the Board in order to retain or compensate such counsel or advisors.

**6.2** Recommendations to the Board – The Committee shall have the authority to make recommendations to the Board, but shall have no decision-making authority other than as specifically contemplated in this Charter.

## **7. REMUNERATION OF COMMITTEE MEMBERS**

**7.1** Remuneration of Committee Members – Members of the Committee and the Chair shall receive such remuneration for their service on the Committee as the Board may determine from time to time.

**7.2** Directors' Fees – No member of the Committee may earn fees from the Corporation or any of its subsidiaries other than Directors' fees (which fees may include cash and/or shares or options or other in-kind consideration ordinarily available to Directors, as well as all of the regular benefits that other Directors receive, and the compensation paid to the Chairman of any committee of the Board to act in that capacity). For greater certainty, no member of the Committee shall accept, directly or indirectly, any consulting, advisory or other compensatory fee from the Corporation.

## **8. DUTIES AND RESPONSIBILITIES OF THE COMMITTEE**

### **8.1** Review and Approval of Financial Information

- (a) *Annual Financial Statements.* The Committee shall review and discuss with management and the External Auditor, the Corporation's audited annual financial statements and related MD&A together with the report of the External Auditor thereon and, if appropriate, recommend to the Board that it approve the audited annual financial statements.
- (b) *Interim Financial Statements.* The Committee shall review and discuss with management and, if necessary, the External Auditor and, if appropriate, approve, the Corporation's interim unaudited financial statements and related MD&A.
- (c) *Material Public Financial Disclosure.* The Committee shall, to the extent practicable, discuss with management and the External Auditor:
  - (i) the types of information to be disclosed and the type of presentation to be made in connection with earnings press releases;

- (ii) financial information and earnings guidance (if any) provided to analysts and rating agencies; and
  - (iii) press releases containing financial information.
- (d) *Procedures for Review.* The Committee shall satisfy itself that adequate procedures are in place for the review of the Corporation's disclosure of financial information extracted or derived from the Corporation's financial statements (other than financial statements, MD&A and earnings press releases, which are dealt with elsewhere in this Charter) and shall periodically assess the adequacy of those procedures.
- (e) *Accounting Treatment.* The Committee shall review and discuss with management and the External Auditor:
  - (i) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Corporation's selection or application of accounting principles and major issues as to the adequacy of the Corporation's internal controls and any special audit steps adopted in light of material control deficiencies;
  - (ii) analyses prepared by management and/or the External Auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements;
  - (iii) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures on the Corporation's financial statements;
  - (iv) the management certifications of the financial statements as required under applicable securities laws in Canada or otherwise; and
  - (v) pension plan financial statements, if any.

## **8.2** External Auditor

- (a) *Authority with Respect to External Auditor.* The Committee shall be directly responsible for the oversight of the work of the External Auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation. In the discharge of this responsibility, the Committee shall:
  - (i) have responsibility for recommending to the Board the person or firm to be proposed to the Corporation's Shareholders for appointment as External Auditor for the above-described purposes as well as the responsibility for recommending such External Auditor's compensation and determining at any time whether the Board should recommend to the Corporation's Shareholders whether the incumbent External Auditor should be removed from office;
  - (ii) review the terms of the External Auditor's engagement, discuss the audit fees with the External Auditor and be responsible for approving such audit fees; and
  - (iii) require the External Auditor to confirm in its engagement letter each year that the External Auditor is accountable to the Board and the Committee as representatives of Shareholders.

- (b) *Independence.* The Committee shall satisfy itself as to the independence of the External Auditor. As part of this process the Committee shall:
- (i) assure the regular rotation of the lead audit partner as required by law and consider whether, in order to ensure continuing independence of the External Auditor, the Corporation should rotate periodically, the audit firm that serves as External Auditor;
  - (ii) unless and until the Committee adopts pre-approval policies and procedures and subject to subsection 8.2(d)(ii), approve any non-audit services to be provided by the External Auditor; and
  - (iii) review and approve the policy setting out the restrictions on the Corporation hiring partners, employees and former partners and employees of the Corporation's current or former External Auditor.
- (c) *Issues Between External Auditor and Management.* The Committee shall:
- (i) review any problems or concerns experienced by the External Auditor in conducting the audit, including any restrictions on the scope of the External Auditor's activities or an access to requested information;
  - (ii) review any significant disagreements with management and, to the extent possible, resolve any disagreements between management and the External Auditor; and
  - (iii) review with the External Auditor:
    - (A) any accounting adjustments that were proposed by the External Auditor, but were not made by management;
    - (B) any communications between the audit team and audit firm's national office respecting auditing or accounting issues presented by the engagement; and
    - (C) any management or internal control letter issued, or proposed to be issued by the External Auditor to the Corporation.
- (d) *Non-Audit Services.*
- (i) Subject to any *de minimis* exception allowed by applicable law, the Committee shall either:
    - (A) approve any non-audit services provided by the External Auditor or the external auditor of any subsidiary of the Corporation to the Corporation (including its subsidiaries); or
    - (B) adopt specific policies and procedures for the engagement of non-audit services, provided that such pre-approval policies and procedures are detailed as to the particular service, the audit committee is informed of each non-audit service and the procedures do not include delegation of the audit committee's responsibilities to management.

- (ii) The Committee may delegate to one or more members of the Committee the authority to pre-approve non-audit services in satisfaction of the requirement in the previous section, provided that such member or members must present any non-audit services so approved to the full Committee at its first scheduled meeting following such pre-approval.
  - (iii) The Committee shall instruct management to promptly bring to its attention any services performed by the External Auditor which were not recognized by the Corporation at the time of the engagement as being non-audit services.
- (e) *Evaluation of External Auditor.* The Committee shall evaluate the External Auditor each year, and present its conclusions to the Board. In connection with this evaluation, the Committee shall:
  - (i) review and evaluate the performance of the lead partner of the External Auditor;
  - (ii) obtain the opinions of management with respect to the performance of the External Auditor; and
  - (iii) obtain and review a report by the External Auditor describing:
    - (A) the External Auditor's internal quality-control procedures;
    - (B) any material issues raised by the most recent internal quality-control review, or peer review, of the External Auditor's firm or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the External Auditor's firm, and any steps taken to deal with any such issues; and
    - (C) all relationships between the External Auditor and the Corporation (for the purposes of assessing the External Auditor's independence).
- (f) *Review of Management's Evaluation and Response.* The Committee shall:
  - (i) review management's evaluation of the External Auditor's audit performance;
  - (ii) review the External Auditor's recommendations, and review management's response to and subsequent follow-up on any identified weaknesses;
  - (iii) review management's response to significant internal control recommendations of the External Auditor;
  - (iv) receive regular reports from management and receive comments from the External Auditor, if any, on:
    - (A) the Corporation's principal financial risks;
    - (B) the systems implemented to monitor those risks; and
    - (C) the strategies (including hedging strategies) in place to manage those risks; and
  - (v) recommend to the Board whether any new material strategies presented by management should be considered appropriate and approved.

**8.3** Related Party Transactions – The Committee shall review and approve all related party transactions in which the Corporation is involved or which the Corporation proposes to enter into.

**8.4** Whistle Blowing – The Committee shall put in place procedures for:

- (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and
- (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

**8.5** Special Outside Advisors – The Committee shall consider and, if determined to be appropriate, approve requests from Directors or committees of the Board for the engagement of special outside advisors from time to time (in addition to any right that a Director or committee of the Board may have to engage outside advisors under applicable law).

## **9. SUBCOMMITTEES**

**9.1** Delegation to Subcommittees – The Committee may form and delegate authority to subcommittees if deemed appropriate by the Committee.

## **10. REPORTING TO THE BOARD**

**10.1** Regular Reporting - The Committee shall report to the Board following each meeting of the Committee and at such other times as the Chair may determine to be appropriate.

## **11. PERFORMANCE EVALUATION**

**11.1** Performance Evaluation – The Committee shall follow the process established by the Governance and Compensation Committee for all committees of the Board for assessing the performance and effectiveness of the Committee.

## **12. CHARTER REVIEW**

**12.1** Charter Review – The Committee shall review and assess the adequacy of this Charter on a regular basis and recommend to the Board any changes it deems appropriate.