Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital, a 364 day revolving credit facility and retained earnings. The Board of Directors monitors the return on capital as well as the level of dividends to common shareholders.

The Corporation manages capital by monitoring certain debt covenants set out in its credit facility. The Corporation has a maximum senior debt to contracted EBITDA of 1.7:1 (0.8:1 at December 31, 2013). EBITDA is defined as net income before interest expense, income taxes, depreciation and amortization and non-cash stock-based compensation expenses. The Corporation has a fixed charge coverage ratio covenant of 1:1 (1.10:1 at December 31, 2013). Additionally, a minimum tangible net worth requirement of $401.7 million is in place (Actual: $429.8 million at December 31, 2013). Tangible net worth is defined as subordinated debt plus shareholders equity. The Corporation was in compliance with all debt covenants at December 31, 2013. In order to acquire more distributions and royalties, the Corporation can access its credit facility and above that needs to access public equity markets to fund the acquisitions and manage the business within the bank covenants. There were no changes in the Corporation's approach to capital management during the year ended December 31, 2013.

Fair Value of Financial Instruments

The Corporation's financial instruments as at December 31, 2013 and December 31, 2012 include cash and cash equivalents, trade and other receivables, promissory note receivable, Preferred LP and LLC units, foreign exchange forward contracts, accounts payable and accrued liabilities, and loans and borrowings. The fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their carrying amounts due to their short-terms to maturity. Loans and borrowings bear interest at a floating market rate and accordingly the fair market value approximates the carrying value. The fair values of the available for sale investments are estimated using an approach described in note 5. The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following items shown on the consolidated statement of financial position as at December 31, 2013 and 2012, are measured at fair value on a recurring basis using level 1 or level 2 inputs. The Corporation has no level 3 items and during the years ended December 31, 2013 and 2012, there were no transfers between level 1 or level 2 classified assets and liabilities.

December 31, 2013	**Level 1**	**Level 2**	**Total**
Foreign exchange contracts	-	(663,801)	(663,801)
Preferred LP and LLC units	-	433,988,295	433,988,295
	$ -	$ 433,325,124	$ 433,325,124
December 31, 2012	**Level 1**	**Level 2**	**Total**
Foreign exchange contracts	-	18,113	18,113
Preferred LP and LLC units	-	298,226,402	298,226,402
	$ -	$ 298,244,515	$ 298,244,515