
# THE BUSINESS, ENGINEERING, SCIENCE & TECHNOLOGY DISCOVERIES FUND INC.

## NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS AND MANAGEMENT PROXY CIRCULAR

**February 24, 2014**

*This Notice, Management Proxy Circular and the accompanying materials require your immediate attention. If you are in doubt as to how to deal with these documents or the matters they refer to, please consult your professional advisors.*

How To Cast Your Vote

**VOTING INSTRUCTIONS**

Please complete the form of proxy, sign, date and return to:

Class A Shares – By Mail / By Hand delivery:

The Business, Engineering, Science & Technology Discoveries Fund Inc.
c/o President, B.E.S.T Investment Counsel Limited
15 Toronto Street, Suite 400
Toronto, Ontario
M5C 2E3

Class L Shares – By Mail / By Hand delivery:

TMX Equity Transfer Services
200 University Avenue, Suite 300
Toronto, Ontario
M5H 4H1

**ACT NOW AND MAIL YOUR PROXY**
**BEFORE THE PROXY**
**DEADLINE**
PROXIES MUST BE RECEIVED BY MARCH 26, 2014
**AT 5 P.M. (TORONTO TIME)**
PLEASE ENSURE THAT YOU SIGN AND DATE THE PROXY.
QUESTIONS ON VOTING YOUR
PROXY CALL:

1 (800) 795 – BEST (2378) x 228
(416) 203-7331 x 228

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**THE BUSINESS, ENGINEERING, SCIENCE & TECHNOLOGY DISCOVERIES FUND INC.**

**NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

**NOTICE IS HEREBY GIVEN** that an annual and special meeting (the "**Meeting**") of the shareholders of The Business, Engineering, Science & Technology Discoveries Fund Inc. (the "**Fund**") will be held at the offices of McMillan LLP, Brookfield Place, 181 Bay Street, Suite 4400, Toronto, Ontario on March 28, 2014, at 10:00 a.m. (Toronto time) for the following purposes:

(i) to receive the annual report and the financial statements of the Fund for the year ended September 30, 2013 and the report of the auditor thereon;

(ii) to elect the directors of the Fund;

(iii) to appoint the auditor of the Fund and to authorize the directors to fix its remuneration;

(iv) for the Class A Shareholders, Class L Shareholders, Class B Shareholder and Class P Shareholders, each as a class, to consider, and, if deemed advisable, to pass, with or without variation, a special resolution (the "**Transaction Resolution**"), the full text of which is set out in Appendix "A" to the accompanying Management Proxy Circular (the "**Circular**"), authorizing and approving the sale of all or substantially all of the property of the Fund to Tier One Capital Limited Partnership (the "**Limited Partnership**") and all related steps, transactions and other related matters (on the terms more particularly described in the Circular, the "**Proposed Sale**"), the amendment to the Fund's Articles ("**Articles Amendment**") to provide for a redemption in kind and related matters (the Proposed Sale, Articles Amendment and all related steps, transactions and other related matters, on the terms more particularly described in the Circular, the "**Transaction**");

(v) to consider, and, if deemed advisable, to pass, with or without variation, a special resolution (the "**Stated Capital Resolution**") authorizing the addition of certain amounts to the stated capital accounts maintained by the Fund in respect of its Class A Shares and Class L Shares; and

(vi) to transact such further or other business as may properly come before the Meeting or any adjournment(s) or postponement(s) thereof.

Accompanying this Notice of Annual and Special Meeting of Shareholders are the Circular and either a form of proxy that can be used by registered holders of Class A Shares, Class L Shares, Class B Shares, Class P Shares or a voting instruction form that can be used by non-registered holders of Class A Shares and Class L Shares.

The board of directors of the Fund has fixed the close of business on February 14, 2014 as the record date for determining the holders of record of Class A Shares, Class L Shares, Class B Shares and Class P Shares who are entitled to receive notice of the Meeting and to attend and vote at the Meeting, or any adjournment(s) or postponement(s) thereof.

Registered shareholders may exercise their right to vote at the Meeting by attending the Meeting or by completing the form of proxy. Registered shareholders who are entitled to vote and who are unable to attend the Meeting in person are requested to date and sign the enclosed proxy for any Class A Shares, Class L Shares, Class B Shares or Class P Shares held by them. Non-registered shareholders should follow the instructions contained in the voting instruction form delivered to them in order to vote their shares.

Registered holders of Class A Shares and Class L Shares have the right to dissent in respect of the Transaction Resolution and, if the Transaction becomes effective and upon strict compliance with the dissent procedures, to be paid the fair value of their Class A Shares and Class L Shares, as applicable, in accordance with Section 190 of the *Canada Business Corporations Act*. This right of dissent is described in the accompanying Circular. Failure to strictly comply with the dissent procedures set out in the accompanying Circular may result in the loss or unavailability of any right of dissent. Beneficial owners of Class A Shares and Class L Shares registered in the name

of a broker, custodian, nominee or other intermediary who wish to dissent should be aware that **ONLY A REGISTERED OWNER OF SHARES IS ENTITLED TO EXERCISE RIGHTS OF DISSENT**.

If you are unable to attend the Meeting in person and you are a Class A Shareholder, please complete, sign, date and return the enclosed form of proxy or voting instruction form to B.E.S.T. Investment Counsel Limited, 15 Toronto Street, Suite 400, Toronto, Ontario M5C 2E3, Attention: President or complete the form by such other method as is identified, and pursuant to any instructions contained, in the form. If you are unable to attend the Meeting in person and you are a Class L Shareholder, please complete, sign, date and return the enclosed form of proxy or voting instruction form to TMX Equity Transfer Services, 200 University Avenue, Suite 300, Toronto, Ontario M5H 4H1 or as otherwise provided in the form. **In order to be valid for use at the Meeting, proxies must be received by 5:00 p.m. (Toronto time) on Wednesday, March 26, 2014 or not less than the close of business two business days (excluding Saturdays, Sundays and holidays in the City of Toronto, Ontario) prior to any adjournment(s) or postponement(s) of the Meeting.**

**Further information with respect to voting by proxy is included in the accompanying Circular.**

DATED at Toronto, Ontario this 24th day of February, 2014.

By Order of the Board of Directors

(signed) John M.A. Richardson
Chief Executive Officer

## GLOSSARY OF TERMS

The following is a glossary of certain terms used in this Circular, including in the summary hereof:

"**Affiliate**" has the meaning given to that term in National Instrument 45-106 — *Prospectus and Registration Exemptions* of the Canadian Securities Administrators on the date hereof;

"**Articles**" means the articles of arrangement of the Fund dated July 24, 2009, as such articles may be amended from time to time;

"**Articles Amendment**" means an amendment to the Articles to add a redemption procedure to enable the Fund to redeem Class A Shares and Class L Shares in exchange for Units in order to implement the transfer of the Units by the Fund to the Class A Shareholders and Class L Shareholders, respectively;

"**associate**" has the meaning given to that term in the *Securities Act* (Ontario) on the date hereof;

"**Board**" or "**Board of Directors**" means the board of directors of the Fund;

"**Business Day**" means a day other than a Saturday, a Sunday or a public holiday on which the banks are not open for business in Toronto, Ontario;

"**CBCA**" means the *Canada Business Corporations Act*, including the regulations promulgated thereunder;

"**CDS**" means CDS Clearing and Depository Services Inc.;

"**CDS Participant**" means a participant in the CDS depository service;

"**Circular**" means this management proxy circular dated February 24, 2014, including all appendices thereto, distributed by the Fund in connection with the Meeting;

"**Class A Shares**" means the existing Class A shares in the capital of the Fund, issuable in six series, Series I, Series II, Series III, Series IV, Series V and Series VI;

"**Class A Shareholders**" means the holders of Class A Shares from time to time, and "**Class A Shareholder**" means any one of them;

"**Class B Shares**" means the existing Class B shares in the capital of the Fund;

**"Class B Shareholder**" means the holder of Class B Shares from time to time;

"**Class L Shares**" means the existing Class L shares in the capital of the Fund, issuable in series;

"**Class L Shareholders**" means the holders of the Class L Shares from time to time, and "**Class L Shareholder**" means any one of them;

"**Class P Shares**" means the existing Class P shares in the capital of the Fund, issuable in series;

"**Class P Shareholder**" means the holders of Class P Shares from time to time;

"**CRA**" means the Canada Revenue Agency;

"**CSE"** means the Canadian Securities Exchange;

"**Dissent Notice**" means a written objection to the Transaction Resolution provided by a Dissenting Shareholder to the Fund prior to or at the Meeting or any adjournment(s) thereof, in accordance with the Dissent Procedure;

"**Dissent Procedure**" means the procedure under Section 190 of the CBCA by which a Dissenting Shareholder exercises its Dissent Rights (see Appendix "C" of this Circular);

"**Dissent Rights**" means the right of a Shareholder under Section 190 of the CBCA to dissent to the Transaction Resolution and to be paid the fair value of the Shares in respect of which the Shareholder dissents, all in accordance with the Dissent Procedure as described in this Circular under the heading "The Transaction – Dissenting Shareholders' Rights";

"**Dissenting Shareholders**" means registered holders of Shares who validly exercise the Dissent Rights in accordance with the Dissent Procedure and "**Dissenting Shareholder**" means any one of them;

"**Distributions**" means all amounts paid or securities or other property of the Limited Partnership distributed to a Limited Partner in respect of such Limited Partner's interest or entitlement in the Limited Partnership in accordance with the provisions of the Limited Partnership Agreement;

"**Effective Date**" means the effective date of the Transaction, which, if the Transaction is approved by Shareholders, is expected to be on or about May 30, 2014;

"**Effective Time**" means such time as may be determined by the Fund on the Effective Date at which the Transaction is effective;

"**Eligible Investor**" for purposes of the Ontario Act means an individual or a trust which is a Qualifying Trust for the individual and for purposes of the Tax Act means an individual or a trust which is a qualifying trust for the individual, as defined by subsection 127.4(1) of the Tax Act (which includes a Qualifying Trust for individuals resident in Ontario);

"**Exchange Ratio**" means the ratio as at the Effective Date of the aggregate of the Series NAV per Share calculated as of the last Valuation Date immediately preceding the Effective Date plus all dividends declared on such Shares and remaining unpaid on such date, divided by the Limited Partnership Unit Price;

"**Federal Credit**" means the tax credit currently available to Eligible Investors under the Tax Act on purchases of Class A shares of Labour Sponsored Investment Fund Corporations, subject to the conditions and limits prescribed therein;

"**Fund**" means The Business, Engineering, Science & Technology Discoveries Fund Inc., a corporation formed under the CBCA which is registered as a Labour Sponsored Investment Fund Corporation;

"**GAAP**" means Canadian generally accepted accounting principles, as amended from time to time, which for fiscal years beginning on or after January 1, 2014, shall be IFRS;

"**General Partner**" means T1 General Partner LP, the general partner of the Limited Partnership;

"**IFRS**" means the International Financial Reporting Standards or any successor principles applicable to the business of the Limited Partnership, as such principles are adopted by the Canadian Institute of Chartered Accountants (or any successor organization) from time to time;

"**including**" (and variations thereof) means "**including without limitation**" and shall not be construed to limit any general statement which it follows to the specific or similar items or matters immediately following it;

"**Independent Review Committee**" or "**IRC**" means the Independent Review Committee of the Manager with respect to the Fund which has been established and to which conflict of interest matters are referred for review or approval in accordance with National Instrument 81-107 – *Independent Review Committee for Investment Funds*;

"**Initial Limited Partner**" means Mr. Peter Hubenaar;

"**Investment Portfolio**" means, at any point in time, investments of the Fund in eligible businesses;

"**IPA**" means the incentive participation amount, as determined in the manner described under the heading "Information Concerning the Fund – Management – Incentive Participation Amount";

"**Labour Sponsored Investment Fund Corporation**" means a labour-sponsored investment fund corporation registered under Part III of the Ontario Act;

"**Letter of Transmittal**" means the form to be sent to Shareholders pursuant to which Shareholders return any share certificate representing the Class A Shares and Class L Shares to the Corporation, together with all other necessary documents and instruments as specified in the Letter of Transmittal and make the representations and warranties set out therein;

"**Limited Partner Special Resolution**" means a resolution passed by $66^{2/3}$% or more of the votes cast, either in person or by proxy, at a duly constituted meeting of Limited Partners called for the purpose of considering such resolution, or, alternatively, a written resolution signed in one or more counterparts by Limited Partners holding $66^{2/3}$% or more of the Units outstanding and entitled to vote on such resolution at a meeting;

"**Limited Partners**" means the Initial Limited Partner and each person who is admitted to the Limited Partnership as a limited partner from time to time;

"**Limited Partnership**" means Tier One Capital Limited Partnership, a newly formed limited partnership under the laws of the Province of Ontario;

"**Limited Partnership Agreement**" means the limited partnership agreement dated February 21, 2014 between the General Partner, Mr. Peter Hubenaar as the Initial Limited Partner, and each person who becomes a Limited Partner thereafter together with all amendments, supplements, restatements and replacements thereof from time to time, substantially in the form of that attached to this Circular as Appendix "G";

"**Limited Partnership Unit Price**" means $14.00 per Unit;

"**Liquid Investments**" means, at any point in time, investments of the Fund in Reserves;

"**LP Custodian**" means CIBC Mellon Trust Company (and certain of its affiliates) or its successor appointed by the General Partner on behalf of the Limited Partnership;

"**LP Investment Advisor**" means B.E.S.T. Investment Counsel Limited;

"**LP Management Fee**" means the annual management fee payable to the General Partner as described under "Information Concerning the Limited Partnership – Executive Compensation and Management Arrangements – Management Fee";

"**LP Transfer Agent**" means TMX Equity Transfer Services or its successor appointed by General Partner on behalf of the Limited Partnership;

"**Management**" means senior management of the Fund;

"**Management Advisor**" means B.E.S.T. Investment Counsel Limited;

"**Management Agreement**" means the amended and restated management agreement dated January 22, 2008 between the Fund and the Manager, as amended;

"**Manager**" means B.E.S.T. Investment Counsel Limited;

"**Meeting**" means the annual and special meeting of shareholders to be held on March 28, 2014 at 10:00 a.m. (Toronto time) and any adjournment(s) or postponement(s) thereof, for Shareholders to consider and to vote on the Transaction Resolution and the other matters as set out in the Notice of Meeting;

"**Minister**" means the Minister of Finance (Ontario);

"**Net Asset Value of the Fund**" means the value of the Fund's assets minus the value of the Fund's liabilities (including any accrued IPA), as determined in the manner described under the heading "Information Concerning the Fund –Valuation of Investments";

"**Net Income**" and "**Net Loss**" mean, in respect of any fiscal year, the net income or net loss of the Limited Partnership in respect of such period, determined in accordance with IFRS;

"**Notice of Meeting**" means the notice of annual and special meeting which accompanies this Circular;

"**Ontario Act**" means the *Community Small Business Investment Funds Act* (Ontario) S.O. 1992, c.18, as amended, together with the regulations thereunder;

"**Ontario Credit**" means the tax credit formerly available to Eligible Investors under the Ontario Tax Act and the Ontario Act on purchases of Class A shares of Labour Sponsored Investment Fund Corporations, subject to the conditions and limits prescribed therein;

"**Ontario Tax Act**" means the *Taxation Act, 2007* (Ontario), as amended, together with the regulations thereunder;

"**Partners' Equity**" means partners' equity as presented on the statement of financial position of the Limited Partnership from time to time;

"**Performance Allocation**" means a share of the net income of the Limited Partnership payable to the General Partner if certain conditions described under "Information Concerning the Limited Partnership – Executive Compensation and Management Arrangements – Performance Allocation" are satisfied;

"**Person**" means and includes individuals, corporations, partnerships, general partnerships, joint stock companies, limited liability corporations, joint ventures, associations, companies, trusts, banks, trust companies, pension funds, business trusts or other organizations, whether or not legal entities, and government and agencies and political subdivisions thereof;

"**Portfolio Company**" or "**Portfolio Companies**" means an eligible business or eligible businesses in which the Fund has made an investment;

"**Priority Profit Allocation**" means a priority share of the net income of the Limited Partnership payable to the General Partner as described under "Information Concerning the Limited Partnership – Executive Compensation and Management Arrangements – Priority Profit Allocation";

"**Promoter**" means the General Partner and B.E.S.T. Investment Counsel Limited;

"**Proposed Sale**" means the proposed sale of all or substantially all of the property of the Fund pursuant to the terms of the proposed asset purchase agreement attached as Appendix "E";

"**Qualifying Trust**" for an individual resident in Ontario means a trust that is governed by (a) an RRSP where (i) in the case of a non-spousal RRSP, the individual is the annuitant, and (ii) in the case of a spousal RRSP, the individual or the individual's Spouse is the annuitant and no other person has claimed the federal tax credit in respect of the Class A shares; and (b) a TFSA where the individual is the holder;

"**Record Date**" means the close of business on February 14, 2014;

"**Reserves**" means Canadian dollars in cash or on deposit with qualified Canadian financial institutions, debt obligations of or guaranteed by the Canadian federal government, debt obligations of provincial and municipal governments, Crown corporations and corporations listed on designated stock exchanges, guaranteed investment certificates issued by Canadian trust companies, qualified investment contracts or any other prescribed investments, as defined in the Ontario Act;

"**RRIFs**" means registered retirement income funds, as defined in subsection 146.3(1) of the Tax Act;

"**RRSPs**" means registered retirement savings plans, as defined in subsection 146(1) of the Tax Act;

"**Securities Act**" means the *Securities Act* (Ontario), R.S.O. 1990, c. S.5, as amended, together with all regulations and rules thereunder;

"**Series NAV**" means, with respect to a series of Class A Shares or Class L Shares, the Net Asset Value of the Fund allocable to that series as at the applicable Valuation Date;

"**Series NAV per Share**" means, with respect to a series of Class A Shares or Class L Shares, the Series NAV divided by the number of outstanding Class A Shares or Class L Shares, as applicable, of that series;

"**Shares**" means Class A Shares, Class L Shares, Class B Shares and Class P Shares in the capital of the Fund;

"**Shareholders**" means the holders of Class A Shares, Class L Shares, Class B Shares and Class P Shares from time to time, and a "**Shareholder**" means any one of them;

"**Sponsor**" means the International Federation of Professional and Technical Engineers – Local 164;

"**Spouse**" includes a reference to a common-law partner;

"**Stated Capital Resolution**" means the special resolution in respect of the increase in stated capital of the Class A Shares and Class L Shares in substantially the form attached as Appendix "B" to this Circular to be voted upon by Class A Shareholders, Class B Shareholder and Class L Shareholders, in person or by proxy at the Meeting;

"**Tax Act**" means the *Income Tax Act* (Canada), R.S.C. 1985, c.1 (5th Supp.), as amended, together with the regulations thereunder;

"**Tax Credit Certificate**" means the certificate issued, pursuant to section 25 of the Ontario Act, to an individual (other than a trust) who has purchased Class A shares in the capital of a Labour Sponsored Investment Fund Corporation or has caused a Qualifying Trust to purchase the Class A shares;

"**TFSAs**" or "**Tax-Free Savings Accounts**" means tax-free savings accounts, as defined in subsection 146.2(3) of the Tax Act;

"**total assets of the Limited Partnership**" means the total assets as presented on the statement of financial position of the Limited Partnership from time to time;

"**Transaction**" means the Proposed Sale of all or substantially all of the assets of the Fund to the Limited Partnership, the Articles Amendment, redemption of Class A Shares and Class L Shares in exchange for Units, and all related steps, transactions and other related matters, on the terms and conditions set forth in this Circular;

"**Transaction Resolution**" means the special resolution in respect of the Transaction in substantially the form attached as Appendix "A" to this Circular to be voted upon by Shareholders, in person or by proxy, at the Meeting;

"**Units**" means one unit of limited partnership interest in the Limited Partnership, including, in connection with the Transaction, units of the Limited Partnership for which the Class A Shares and Class L Shares will be redeemed in the Transaction;

"**Valuation Date**" means a date on which the Net Asset Value of the Fund is determined, which occurs at least weekly; and

"**$**" means Canadian dollars.

Words importing the singular include the plural and vice versa and words importing any gender include all genders.

# MANAGEMENT PROXY CIRCULAR

## Introduction

This Circular is furnished in connection with the solicitation by the Management of the Fund of proxies to be used at the Meeting.

This Circular does not constitute an offer to buy, or a solicitation of an offer to sell, any securities, or the solicitation of a proxy, by any person in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such an offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer or solicitation.

Shareholders should not construe the contents of this Circular as legal, tax or financial advice and should consult with their own legal, tax, financial or other professional advisors.

The information concerning the Limited Partnership contained in this Circular has been provided by the Limited Partnership. Although the Fund has no knowledge that would indicate that any statements contained in this Circular taken from or based upon such sources are untrue or incomplete, the Fund does not assume any responsibility for the accuracy or completeness of the information taken from or based upon such sources.

All capitalized terms used in this Circular but not otherwise defined herein have the meanings set forth under "Glossary of Terms".

## Forward-looking Statements

This Circular, including documents incorporated by reference herein, contains "forward-looking statements", including statements relating to the Transaction, information concerning the Fund and the Limited Partnership, information regarding the status of the venture portfolio of the Fund, the plans and objectives of the Fund and the Limited Partnership and assumptions regarding the future performance of the Fund and the Limited Partnership. Certain statements made in this Circular, including, but not limited to, those relating to the tax treatment of Shareholders, the satisfaction of conditions to complete the Transaction, the process for obtaining applicable approvals, the anticipated Effective Date, the anticipated effect of the Transaction and other statements that are not historical facts, are also forward-looking statements. These forward-looking statements reflect Management's current internal projections, expectations or beliefs and are based on information currently available to the Fund. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "intend", "plan", "anticipate", "believe", "predict", "potential", "continue" or the negative of these terms or other comparable terminology. A number of factors could cause actual events or results to differ materially from those discussed in the forward-looking statements. Risks and uncertainties that could cause or contribute to such differences include, but are not limited to those described under "Risk Factors" and elsewhere in this Circular. The Fund has made a number of assumptions in making forward-looking statements in this Circular. In particular, the material factors and assumptions that were applied in making the forward-looking statements in this Circular include, but are not limited to, that the Transaction will receive the required Shareholder approval and other applicable approvals, that the other conditions to the Transaction will be satisfied on a timely basis in accordance with their terms, consideration of applicable government regulations and the current state of the labour-sponsored investment fund industry, the deteriorating liquidity position of the Fund, historical redemption patterns and other historical experience. Although Management believes that the forward-looking statements contained herein are based on reasonable assumptions, an investor cannot be assured that actual results will be consistent with such statements. The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The Fund cannot provide any assurance that forward-looking statements will materialize. The forward-looking statements included in this Circular are made as of the date of this Circular and the Fund undertakes no obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise except as may be required by applicable securities laws.

**Documents Incorporated By Reference**

Information has been incorporated by reference in this Circular from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained from the SEDAR website at www.sedar.com or, on request, without charge from the Manager at 15 Toronto Street, Suite 400, Toronto, Ontario M5C 2E3, via e-mail: info@bestfunds.ca, or via phone or facsimile: Phone: 1 (800) 795-2378 ext 228 or (416) 203-7331 x 228; Fax: (416) 203-6630.

The following documents, which have been filed by the Fund with the Ontario Securities Commission or similar authorities in Canada, are specifically incorporated by reference into, and legally form a part of, this Circular:

(a) the audited annual financial statements of the Fund for the years ended September 30, 2013 and 2012, together with the notes thereto, auditor's reports thereon and annual management report of fund performance.

Any document of the type referred to in the preceding paragraph and any material change reports (excluding confidential material change reports) filed by the Fund with a securities commission or similar authority in Canada after the date of this Circular and prior to the Meeting that specifically states that it is intended to be incorporated by reference into this Circular will be deemed to be incorporated by reference into this Circular.

Any statement contained in a document incorporated or deemed to be incorporated by reference in this Circular or contained in this Circular is deemed to be modified or superseded, for purposes of this Circular, to the extent that a statement contained in this Circular or in any other subsequently filed document which also is or is deemed to be incorporated by reference in this Circular modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement will not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this Circular.

## SUMMARY

*The following is a summary of certain information contained elsewhere in this Circular, including the Appendices hereto, and is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Circular and/or incorporated by reference herein. Shareholders are urged to review this Circular and the documents incorporated by reference, including the Appendices, in their entirety. Certain capitalized words and terms used in this summary are defined in the Glossary of Terms.*

### The Meeting

The Fund has called the Meeting as an annual and special meeting, to receive the financial statements for the year ended September 30, 2013 and the report of the auditor thereon and to elect directors and to appoint an auditor for the ensuing year. In addition, Shareholders will be asked to consider and, if deemed advisable, to approve (i), the Transaction Resolution; (ii) the Stated Capital Resolution and the other matters set forth in the accompanying Notice of Meeting. The Meeting will be held at the offices of McMillan LLP, Brookfield Place, 181 Bay Street, Suite 4400, Toronto, Ontario on March 28, 2014, at 10:00 a.m. (Toronto time).

### The Transaction

The Transaction would enable the current Shareholders to have their Shares exchanged for Units of the Limited Partnership. The Limited Partnership has similar investment objectives and strategies as the Fund, but is not subject to the requirements and investment restrictions of a Labour Sponsored Investment Fund Corporation. The Shareholders of the Fund would have the opportunity to participate in a Limited Partnership that will provide its investors with exposure to the Fund's current investment portfolio, a liquidity option and the opportunity to continue to access Management's expertise in venture investing, while opening up investment possibilities by moving away from the legislative framework of the Ontario Act. If approved, pursuant to the Transaction, the Fund will sell its assets (less cash required to satisfy current and anticipated liabilities) to the Limited Partnership, in exchange for Units of the Limited Partnership. Existing Class A Shares and Class L Shares would be exchanged for Units of the new Limited Partnership, and the Class B Share and Class P Shares would remain outstanding and be redeemed in connection with the wind-up of the Fund.

### Background to and Reasons for the Transaction

Since the Ontario government phased out the Ontario tax credit program for Labour Sponsored Investment Fund Corporations at the end of 2011, and the Federal government's announcement that it will phase out the Federal Credit by 2017, the Manager and the Board have been evaluating the Fund's options. The Manager believes that the Fund holds a high quality portfolio of investments in private companies. However, the market for private company securities remains weak and the Fund continues to experience a lack of liquidity for its investments in Portfolio Companies. The Manager is of the view that it is not currently possible to liquidate the securities in the Fund's portfolio for the value the Manager believes should be realized and it is difficult for the Manager to predict when the liquidity situation will improve.

In July 2009, the Fund underwent a reorganization, which, among other things, created the Class L Shares. The Class L Shares have, since inception, traded at a discount to their net asset value. Subsequent to the reorganization, redemptions of the Class A Shares were suspended for three years, except in limited circumstances, as provided in the Articles. While the redemption moratorium expired on July 24, 2012, the Fund suspended redemptions again on June 24, 2013 as a result of reaching the Fund's cap on redemptions in any one year, as provided in the Articles.

After considering the options presented by the Manager, on February 3, 2014, the Fund announced the proposal regarding the Transaction with the Limited Partnership. On February 3, 2014, the Fund also announced the suspension of redemptions of Class A Shares in order for the Fund to protect the returns and liquidity for the Shareholders. See "The Transaction – Background to the Transaction" and "The Transaction – Reasons for the Transaction".

**The Fund**

The Business, Engineering, Science & Technology Discoveries Fund Inc. is a Labour Sponsored Investment Fund Corporation and, as a result, is a prescribed labour-sponsored venture capital corporation under the Tax Act. The Fund is sponsored by the International Federation of Professional and Technical Engineers – Local 164. The Sponsor, through a wholly-owned subsidiary, holds the only issued and outstanding Class B Share. The Fund is managed by B.E.S.T. Investment Counsel Limited. The Fund has also retained B.E.S.T. Investment Counsel Limited to identify, screen, monitor and manage the Fund's investment portfolio, provide sales and marketing services and provide accounting and administrative services to the Fund.

The primary objective of the Fund is to achieve long-term capital appreciation for holders of the Fund's Shares. The Fund primarily invests in equity and equity-related securities, such as preferred shares and debt obligations which are convertible into equities, of eligible businesses which have the greatest potential for long-term growth. The Fund primarily maintains an investment focus on niche businesses and other companies with a broader market focus which are capitalizing on innovative uses of engineering, science and technology. The Fund diversifies its portfolio by investing in eligible companies that are in differing stages of development in a variety of high growth potential industries, which, from time to time, may include telecommunications, information technology, computers and life sciences.

The business of the Fund is restricted to assisting the development of eligible businesses and to creating, maintaining and protecting employment by making investments in such businesses and, when capital is not invested in eligible businesses, investing in Liquid Investments. Although the Fund is a mutual fund, it is not subject to a variety of securities regulatory policies and restrictions which would otherwise govern a public mutual fund.

For information with respect to fees payable by the Fund and the organization and management of the Fund, see "Information Concerning the Fund – Management" and "Information Concerning the Fund – Executive Compensation".

**The Limited Partnership**

Tier One Capital Limited Partnership is a limited partnership formed under the laws of the Province of Ontario on February 21, 2014. The Limited Partnership's investment objectives will be to provide a return on investment for Limited Partners and provide regular cash distributions. The General Partner intends to make regular distributions, which would be assessed on a quarterly basis, to the Limited Partners, having regard to the income received or anticipated to be received from the portfolio companies held by the Limited Partnership as well as the fees, expenses and other obligations of the Limited Partnership.

The Limited Partnership will be focused on funding rapidly growing Canadian companies by providing them with the capital needed to execute their growth strategies and acquisition plans. Its primary focus will be on companies with recurring revenue streams in the technology, healthcare and financial services industry. The Limited Partnership will initially focus its investments on companies in the expansion phase of development in mid to late stages. In addition, the Limited Partnership may acquire previously issued securities of portfolio companies from the holders of such securities. The Limited Partnership will not be subject to any investment restrictions regarding any particular sector, industry or stage of development. The investment portfolio of the Limited Partnership is intended to be diversified.

The Limited Partnership may utilize leverage up to 50% of its Partners' Equity.

The Limited Partnership will not carry on business as an investment fund nor will it be subject to the requirements of the Ontario Act, including the requirement to have a sponsor.

The General Partner will be T1 General Partner LP, a limited partnership formed under the laws of Ontario. The general partner of the General Partner will be T1 General Partner Corp., a corporation incorporated under the laws of Ontario.

The General Partner will be responsible for all aspects of the management, operation and administration of the Limited Partnership, including (i) identifying, screening, monitoring, managing and disposing of the Limited Partnership's investments; (ii) providing such services as are reasonably required in respect of the Limited Partnership's day-to-day operations; (iii) retaining and supervising one or more investment advisors; (iv) formulating the investment objectives, restrictions and procedures of the Limited Partnership and negotiating the terms of investments; (v) determining the amount and timing of distributions and administering any distribution re-investment plan; (vi) maintaining the books and records of the Limited Partnership; and (vii) preparing all continuous disclosure documents and other documents required to comply with securities law and listing requirements in respect of the Limited Partnership and all material in connection with meetings of Limited Partners.

The General Partner and the Limited Partnership will enter into an investment advisory agreement (the "**LP Advisory Agreement**") pursuant to which B.E.S.T. Investment Counsel Limited (the "**LP Investment Advisor**") will be engaged to (i) provide oversight and advice to the General Partner in respect of the investment activities of the Limited Partnership; (ii) assist the General Partner in the formulation of the investment objectives, restrictions and procedures of the Limited Partnership; and (iii) assist the General Partner in analyzing and evaluating potential investments.

It is expected that the Fund directors and officers and the directors of the Manager will be indemnified by the Limited Partnership for certain matters. See "The Transaction – Risk Factors – Risks Relating to the Transaction – Directors' and Officers' Indemnities".

TMX Equity Transfer Services (the "**LP Transfer Agent**"), will be appointed as registrar and transfer agent in respect of the Units.

Convexus Managed Services Inc. will perform accounting and certain administrative services for the Limited Partnership.

The Limited Partnership will retain CIBC Mellon Trust Company (and certain of its affiliates) (the "**LP Custodian**") as custodian, and will pay for custodial services on a direct cost basis.

PricewaterhouseCoopers LLP will be the auditor for the Limited Partnership.

For more information with respect to the Limited Partnership, including with respect to fees payable by the Limited Partnership, its organization and management, as well as a comparison of the investment objective, strategy, restrictions and operations of the Fund and the Limited Partnership, see "Part VI – Information Concerning the Limited Partnership" and "The Transaction – Comparison of the Fund and the Limited Partnership".

**The Limited Partnership Units**

The interests of the Limited Partners will be divided into and represented by an unlimited number of Units. The Limited Partnership will be permitted to issue various classes of Units, the rights, privileges, restrictions and conditions of each to be determined by the General Partner. Each Unit of a class entitles the holder thereof to the same rights and obligations as the holder of any other Units of that class and no Limited Partner of a class is entitled to any preference, priority or right in any circumstance over any other such Limited Partner. Meetings of the Limited Partners may be called by the General Partner at any time; however, the General Partner is not required to call annual general meetings of the Limited Partners.

The Limited Partnership may issue Units at any time and from time to time to persons, in the manner, on the terms and conditions and for the issue prices determined by the General Partner. **Units may not be held by non-residents of Canada for purposes of the Tax Act.** There are no restrictions as to the maximum number of Units that a Limited Partner may hold in the Limited Partnership, subject to the limitations on the number of Units that may be held by "financial institutions" for purposes of the Tax Act, and restrictions on ownership of Units by persons or partnerships that would cause interests in the Limited Partnership to be "tax shelter investments" for the purposes of the Tax Act.

Capital attributable to the Units would not be subject to the pacing requirements of the Ontario Act and purchasers thereof would not qualify for the Ontario Credit or the Federal Credit.

The acceptance by the General Partner of a Shareholder's purchase of Units (made in connection with the implementation of the Transaction), whether in whole or in part, will constitute a purchase agreement between the former Shareholder and the Limited Partnership, upon the terms and conditions set out in this Circular, which shall be evidenced by delivery of a confirmation of purchase of Units, provided that the purchase has been accepted by the General Partner on behalf of the Limited Partnership. Joint purchases of Units will be accepted. **Pursuant to the Limited Partnership Agreement, each Shareholder who becomes a Limited Partner will, among other things, acknowledge that such person is bound by the terms of the Limited Partnership Agreement and is liable for all obligations of a Limited Partner, makes or is deemed to make the representations and warranties set out in the Limited Partnership Agreement, including that he or she is not a "non-resident" for the purposes of the Tax Act or an entity an interest in which is a "tax shelter investment" for purposes of the Tax Act or a "non-Canadian" within the meaning of the *Investment Canada Act*, and will irrevocably nominate, constitute and appoint the General Partner as his or her true and lawful attorney, with full power and authority as set out in the Limited Partnership Agreement**.

The Units will not be redeemable at the demand of the holder but may be redeemed by the General Partner if the redemption is considered necessary by the General Partner in the circumstances set out in the Limited Partnership Agreement. Subject to applicable law and any applicable regulatory requirements, the Limited Partnership has the right, but not the obligation, exercisable in its sole discretion, to purchase for cancellation outstanding Units in the market from time to time.

For each fiscal year of the Limited Partnership, the Net Income of the Limited Partnership will be allocated as follows:

(1) the greater of: (a) 0.001% of the Net Income of the Limited Partnership; and (b) the lesser of (i) the Net Income of the Limited Partnership for the fiscal year, and (ii) an amount equal to the aggregate of (A) the Priority Profit Quantum (as defined herein) for the fiscal year; and (B) the amount allocable in respect of a Performance Allocation for the fiscal year, will be allocated to the General Partner, and

(2) the remainder of the Net Income of the Limited Partnership, if any, will be allocated to the Limited Partners on a *pro rata* basis among the Limited Partners who are shown as such on the record of Limited Partners maintained by the General Partner on the last day of such fiscal year.

For each fiscal year of the Limited Partnership, 99.999% of the Net Loss of the Limited Partnership will be allocated *pro rata* among the Limited Partners who are shown as such on the record of Limited Partners maintained by the General Partner on the last day of such fiscal year, and 0.001% of the Net Loss of the Limited Partnership will be allocated to the General Partner.

Any determination made by the General Partner as to the allocation of Net Income and Net Losses of the Limited Partnership is final and binding on the Limited Partners.

For additional information, see "Information Concerning the Limited Partnership – Executive Compensation and Management Arrangements – Priority Profit Allocation".

**Tax Credits and Ontario Ministry of Finance Advance Rulings**

The Fund has received certain advance rulings from the Ministry of Finance (Ontario) in respect of the Transaction that, among other things, provided that the Fund is not in contravention of the Ontario Act by reason of the proposed Transaction, and that the Fund will be permitted to rely upon the wind-up rules contained in the Ontario Act and, thus, Class A Shareholders will not be subject to a tax in respect of tax credits previously claimed solely as a consequence of the Transaction. For additional details on the rulings, see "The Transaction – Ontario Ministry of Finance Advance Rulings".

**Transaction Steps**

The Transaction is currently expected to become effective on or about May 30, 2014. On the Effective Date, each of the events below will, except as otherwise expressly provided in this Circular, occur as set forth below:

a) the Articles Amendment will be executed;

b) the Fund will purchase for cancellation for fair value the Class A Shares and Class L Shares held by Dissenting Shareholders;

c) the Limited Partnership will acquire all of the assets of the Fund (other than liquid assets needed to satisfy all liabilities, including payments to Dissenting Shareholders), in consideration for the appropriate number of Units;

d) except for those held by Dissenting Shareholders, each issued and outstanding Class A Share and Class L Share will be redeemed by the Fund in consideration for Units as described below; and

e) each Class A Shareholder and Class L Shareholder (other than Dissenting Shareholders) will receive a specified number of Units based on the Exchange Ratio. New Units of the Limited Partnership will have a deemed issue price of $14.00.

The Fund will waive any redemption fees otherwise payable in connection with the redemption of Shares. After the Fund redeems all of its Class A Shares and Class L Shares, the Class B Share and Class P Shares will be the only outstanding shares of the Fund. After all ancillary steps to complete the transfer of assets have been taken, the Fund will be wound up and dissolved pursuant to applicable corporate law. The Fund will have filed the Articles Amendment to implement the redemption prior to the transfer of its assets to the Limited Partnership.

The costs associated with the Transaction for the Fund and the Limited Partnership will be paid by the Manager.

For additional information, see "The Transaction – Transaction Steps".

**Conditions Precedent to the Transaction**

Prior to and through to the Effective Date, a series of transactions will occur in order to complete the Transaction. See "The Transaction – Conditions Precedent to the Transaction". The completion of these transactions will be subject to a number of conditions, which must be satisfied (or otherwise waived by the Fund) on or before the Effective Date. These conditions include, without limitation:

a) the Transaction Resolution shall have been approved by not less than two-thirds of the votes cast by each of the Class A Shareholders, Class L Shareholders, Class B Shareholder and the Class P Shareholders, voting as separate classes, in person or by proxy, at the Meeting, in accordance with the provisions of any applicable regulatory requirements;

b) all necessary third party and other consents, orders, rulings, approvals, opinions and assurances, including regulatory, governmental, judicial, third party and advisor opinions, approvals and orders, required for the completion of the transactions provided for in the Transaction shall have been obtained or received;

c) no material action shall have been instituted and be continuing on the Effective Date for an injunction to restrain, a declaratory judgment in respect of, or damages on account of, or relating to, the Transaction, there shall not be in force any order or decree restraining or enjoining the consummation of the transactions contemplated by the Transaction and no cease trading or similar order with respect to any securities of the Fund or the Limited Partnership shall have been issued and remain outstanding;

d) none of the consents, orders, rulings, decisions, approvals, opinions or assurances required for the implementation of the Transaction shall contain terms or conditions or require undertakings or security deemed unsatisfactory or unacceptable by the Fund, acting reasonably;

e) no law, regulation or policy shall have been proposed, enacted, promulgated or applied which interferes or is inconsistent with the completion of the Transaction, including any material change to the income tax laws of Canada, or any province or territory thereof, or which would have a material adverse effect upon Shareholders if the Transaction is completed;

f) the conditional approval of the CSE of the listing of the new Units to be issued in connection with the Transaction shall have been obtained, subject only to the filing of required documents which cannot be filed prior to the Effective Date; and

g) Shareholders holding no more than 10% of the outstanding Shares have exercised their Dissent Rights that have not been withdrawn as of the Effective Date as described under "The Transaction – Dissenting Shareholders' Rights".

Notwithstanding the foregoing, the Transaction Resolution proposed for consideration by the Shareholders authorizes the Board, without further notice to, or approval of, such Shareholders, to decide not to proceed with the Transaction or to revoke the Transaction Resolution at any time prior to the Transaction becoming effective. See Appendix "A" for the text of the Transaction Resolution.

**Recommendation of the Independent Review Committee**

Pursuant to National Instrument 81-107 – *Independent Review Committee for Investment Funds*, the Manager is required to identify conflict of interest matters in connection with its management of the Fund and refer all such conflict of interest matters to the independent review committee (the "**IRC**") for review. The IRC was asked to review the Transaction in the context of potential conflicts of interest that may arise in connection with the management of the Fund and to make a determination as to whether, in the circumstances and in light of such conflicts, the Transaction achieves a fair and reasonable result for the Fund.

At a meeting held on February 3, 2014, the IRC reviewed and considered the Transaction and concluded, after reasonable enquiry, that the Transaction achieves a fair and reasonable result for the Fund. See "The Transaction – Recommendation of the Independent Review Committee".

**Recommendation of the Board of Directors**

**The Board of Directors has unanimously concluded that, in its opinion, the Transaction is fair and reasonable and in the best interests of the Fund and the Shareholders and recommends that Shareholders vote in favour of the Transaction Resolution at the Meeting.**

The primary benefits of the Transaction identified by the Board in coming to this decision included:

a) the potential to raise additional capital, which is not currently practical given recent developments applicable to labour-sponsored investment funds, including the phase out of the Ontario Credit and the Federal Credit;

b) the Limited Partnership will not be subject to the restrictions contained in the Ontario Act, including restrictions on the number, size or geographic location of its investee companies or any investment pacing requirements, and, thus, the General Partner can diversify the portfolio of the Limited Partnership;

c) the General Partner intends to provide regular cash distributions to Limited Partners;

d) the Transaction provides all Shareholders (including those requiring income from their RRIFs) with a liquidity option, as, subject to regulatory approval, all Units are intended to be listed on the CSE;

e) Class A Shareholders will not be subject to a tax in respect of tax credits previously claimed solely as a consequence of the Transaction, and the Fund will not charge redemption fees on Class A Shares redeemed in exchange for Units;

f) if the Limited Partnership holds the venture capital investments for sufficient time to permit it to identify and implement suitable exit opportunities, the Manager believes that this will provide a better opportunity to optimize the exit value potential of the specific holdings;

g) the expenses of operations of the Limited Partnership are expected by the Manager to be lower than those of the Fund, as, among other things, it will not be subject to the requirements of the Ontario Act (including an independent annual valuation requirement or the requirement to have a sponsor), will not be required to have an independent review committee, and as a limited partnership, it will not be required to hold annual meetings, and the service provider fees are expected to be less expensive;

h) the Transaction would permit the Fund to minimize the liquidation effects that would otherwise occur if the Fund were to wind-up;

i) while the Transaction may be taxable to certain shareholders, a wind-up of the Fund in the ordinary course may also be taxable to certain shareholders; and

j) the Transaction Resolution must receive the appropriate approvals by Shareholders in order to be adopted.

Each member of the Board who is also a Shareholder intends to vote all Shares, directly or indirectly, held or controlled by him or her in favour of the Transaction Resolution. As at February 14, 2014, the directors and officers of the Fund beneficially owned, directly or indirectly, or exercised control or direction over, an aggregate of 6,689 Class A Shares and 209,694 Class L Shares, representing approximately 0.60% of the issued and outstanding Class A Shares and 9.98% of the issued and outstanding Class L Shares, respectively.

**Approval of Shareholders Required for the Transaction**

The Transaction Resolution is required to be approved by not less than two-thirds of the votes cast by Class A Shareholders, Class L Shareholders, Class B Shareholder and Class P Shareholders, each voting as a Class, voting in person or by proxy at the Meeting. The Sponsor, as holder of the Fund's Class B Shares, and the Manager and the Management Advisor, as holder of the Fund's Class P Shares, have indicated their intention to vote in favour of the Transaction. See "The Transaction – Shareholder Approvals".

**Dissent Rights**

Class A Shareholders and Class L Shareholders who properly exercise their Dissent Rights will be entitled to be paid the fair value of their Shares. The Dissent Procedure requires that a Shareholder who wishes to exercise his, her or its Dissent Rights must provide to the Fund a Dissent Notice at or prior to the Meeting. See "The Transaction – Dissenting Shareholders' Rights".

**Stock Exchange Listing**

It is anticipated that an application will be made to the CSE for conditional approval of the listing of the Units, subject to the Limited Partnership fulfilling the requirements of the CSE, including distribution of the Units to a minimum number of public security holders. See "The Transaction – Stock Exchange Listing."

**Timing**

If the Meeting is held and the requisite Shareholder approval obtained, and the other necessary conditions at that point in time are satisfied or waived, the Fund expects the Effective Date will be on or about May 30, 2014. It is not possible, however, to state with certainty when the Effective Date will occur.

**Effect of the Transaction**

After giving effect to the Transaction:

a) Shareholders will own 99.999% of all the issued and outstanding Units; and

b) the Fund will be wound up in the ordinary course. See "The Transaction – Effect of the Transaction".

**Certain Canadian Federal Income Tax Considerations**

The execution of the Transaction may give rise to cash tax liabilities for both the Fund and Shareholders. The Fund may realize a taxable gain upon the disposition of its property to the Limited Partnership and Shareholders and Dissenting Shareholders may realize a taxable gain or loss on the disposition of their Shares.

Certain of the tax consequences of holding the Units are also set forth herein under "The Transaction – Certain Canadian Federal Income Tax Considerations".

The foregoing summary does not identify all tax considerations associated with the Transaction and is subject to the limitations and qualifications presented in, and should be read in conjunction with, the section under the heading, "The Transaction – Certain Canadian Federal Income Tax Considerations".

**Risk Factors**

For a description of certain risk factors in respect of the business of the Limited Partnership (including the possible loss of limited liability for Limited Partners under certain circumstances) and the industry in which it will operate, as well as with respect to the Transaction, see "The Transaction – Risk Factors".

## PART I - GENERAL PROXY INFORMATION FOR THE FUND

### The Meeting

**This management proxy circular (the "Circular") is furnished in connection with the solicitation by the Management of The Business, Engineering, Science & Technology Discoveries Fund Inc. (the "Fund" or the "Corporation") of proxies to be used at the annual and special meeting of shareholders of the Fund to be held at 10:00 a.m. (Toronto time) on Friday, March 28, 2014 (the "Meeting") at the offices of McMillan LLP, Brookfield Place, Suite 4400, 181 Bay Street, Toronto, Ontario M5J 2T3, and at any adjournment thereof for the purposes set forth in the accompanying notice of meeting (the "Notice of Meeting").** While Management intends to solicit most proxies by mail, some proxies may be solicited by telephone or other personal contact by directors or officers of the Fund. The cost of such solicitation will be borne by the Manager. Except as otherwise stated herein, the information contained herein is given as of February 24, 2014.

The Fund has called the Meeting as an annual and special meeting, to receive the financial statements for the year ended September 30, 2013 and the report of the auditor thereon and to elect directors and to appoint an auditor for the ensuing year. In addition, shareholders will be asked to consider and, if deemed advisable, to approve (i) the Transaction Resolution; (ii) the Stated Capital Resolution, and the other matters set forth in the accompanying Notice of Meeting.

**No person has been authorized to give any information or make any representation in connection with the Transaction or any other matters to be considered at the Meeting other than those contained in this Circular and, if given or made, any such information or representation must not be relied upon as having been authorized.**

### Appointment of Proxies

The persons named in the accompanying form of proxy are directors and/or officers of the Fund. **A shareholder has the right to appoint a person, who need not be a shareholder of the Fund, other than the persons designated in the accompanying form of proxy, to attend and act on behalf of the shareholder at the Meeting or at any adjournment thereof.** To exercise this right, a shareholder may either insert such other person's name in the blank space provided in the accompanying form of proxy, or complete another appropriate form of proxy.

Shareholders who are unable to attend the Meeting in person should complete and sign the enclosed form of proxy.

To be valid, a proxy for the Class A Shares must be dated and signed by the shareholder or his attorney authorized in writing. The proxy, to be acted upon, must be returned, in the envelope provided, to the Fund, c/o President, B.E.S.T. Investment Counsel Limited, 15 Toronto Street, Suite 400, Toronto, Ontario M5C 2E3 prior to 5:00 p.m. Toronto time on March 26, 2014, or no later than the close of business two business days (excluding a day that is a Saturday, Sunday or holiday in the City of Toronto, Ontario) prior to any adjournment of the Meeting. Late proxies may be accepted or rejected by the chair of the Meeting in his or her discretion and the chair of the Meeting is under no obligation to accept or reject any particular late proxy.

To be valid, a proxy for the Class L Shares must be dated and signed by the shareholder or his attorney authorized in writing. The proxy, to be acted upon, must be returned, in the envelope provided, to TMX Equity Transfer Services, 200 University Avenue, Suite 300, Toronto, Ontario M5H 4H1 prior to 5:00 p.m. (Toronto time) on March 26, 2014, or no later than the close of business two business days (excluding a day that is a Saturday, Sunday or holiday in the City of Toronto, Ontario) prior to any adjournment of the Meeting. Late proxies may be accepted or rejected by the chair of the Meeting in his or her discretion, and the chair of the Meeting is under no obligation to accept or reject any particular late proxy.

A registered shareholder attending the Meeting has the right to vote in person and if he or she does so, his or her proxy is nullified with respect to the matters such person votes upon and any subsequent matters thereafter to be voted upon at the Meeting or any adjournment thereof.

A quorum for a meeting of shareholders consists of at least two persons present in person and each entitled to vote and holding or representing by proxy not less than one vote each.

**Revocation of Proxies**

A proxy given by a shareholder for use at the Meeting may be revoked at any time prior to its use. A proxy may be revoked by depositing an instrument in writing (including another proxy) executed by the shareholder or by the shareholder's attorney authorized in writing at the registered office of the Fund. A proxy may be revoked at any time up to and including the last Business Day preceding the day of the Meeting, or any adjournment thereof, or with the Chair of the Meeting on the day of the Meeting or any adjournment thereof, provided that the proxy has not been exercised on any particular matter. A shareholder may also revoke a proxy in any other manner permitted by law. Only registered shareholders have the right to revoke a proxy. Non-Registered Holders (as defined below) who wish to change their vote must, in sufficient time before the Meeting, arrange for their respective intermediaries (as described below) to revoke the proxy on their behalf.

**Important Information for Beneficial Holders**

The information set forth in this section is of significant importance to beneficial holders of Class A Shares and Class L Shares. **Only registered shareholders, or the persons they appoint as their proxies, are permitted to vote at the Meeting.** Shareholders who do not hold their securities in their own name are considered beneficial shareholders ("**Non-Registered Holders**"). Such securities may be registered in the name of an intermediary with whom a Non-Registered Holder deals in respect of the Class A Shares or Class L Shares, such as banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered Registered Retirement Savings Plans, Registered Retirement Income Funds and similar plans, or in the name of a clearing agency (such as The Canadian Depository for Securities Limited of which an intermediary is a participant). Shares so held can only be voted upon the instructions of the Non-Registered Holder. Without specific instructions, intermediaries are prohibited from voting shares held for Non-Registered Holders. **Non-Registered Holders may wish to confirm with their intermediaries that such intermediaries have received their instructions with respect to how they wish their Shares to be voted, and that such intermediary has completed an appropriate form of proxy provided by the Fund in order to vote the Shares registered in the name of the intermediary.**

There are generally two types of beneficial holders, those who object to their name being made known to the issuer of securities which they own ("**OBOs**" or "**Objecting Beneficial Owners**") and those who do not object to the issuers of securities they own knowing who they are ("**NOBOs**" or "**Non-objecting Beneficial Owners**").

These security holder materials are being sent to both registered and Non-Registered Holders of the Shares. If the Fund or its agent has sent these materials directly to a Non-Registered Holder, the name, address and information about such person's holdings of securities have been obtained in accordance with applicable securities regulatory requirements. If the Fund has sent these materials to you directly, the Fund (and not the intermediary holding on your behalf) has assumed responsibility for delivering these materials to you and executing your proxy voting instructions.

Holders of Class A Shares and Class L Shares receiving a form of proxy should return the form of proxy as described above under "Appointment of Proxies".

Non-Registered Holders of Class A Shares receiving a voting instruction form should carefully follow the instructions on the voting instruction form and return the form in the envelope provided to the Fund, c/o President, B.E.S.T. Investment Counsel Limited, 15 Toronto Street, Suite 400, Toronto, Ontario M5C 2E3.

Non-Registered Holders of Class L Shares receiving a voting instruction form should carefully follow any instructions of the intermediary holding shares on their behalf and return the form in the envelope provided to TMX Equity Transfer Services, 200 University Avenue, Suite 300, Toronto, Ontario M5H 4H1 or as otherwise provided in the voting instruction form.

The purpose of these procedures is to permit Non-Registered Holders to direct the voting of the shares they beneficially own. When properly completed and signed by the Non-Registered Holder and returned, a voting instruction form will constitute voting instructions which the intermediary must follow. If a Non-Registered Holder who receives a voting instruction form wishes to vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should follow the instructions in the voting instruction form well in advance of the Meeting to obtain a form of legal proxy.

**Voting by Proxies**

The Chair of the Meeting may conduct a vote on any matter by a show of hands of the shareholders and proxy holders present at the Meeting and entitled to vote thereat unless a ballot is demanded by a shareholder present at the Meeting or by a proxy holder entitled to vote at the Meeting. On any ballot that may be called for regarding the election of directors, the appointment of an auditor and the special resolutions as set out in this Circular, shares represented by the shareholders' properly executed proxy in favour of the person named in the enclosed form of proxy will be voted or withheld from voting in accordance with the instructions of the shareholder indicated thereon. If the shareholder specifies a choice with respect to any matter to be acted upon, the shares will be voted accordingly. **In the absence of such instructions, the Shares will be voted FOR the election of the persons nominated for election as directors, the appointment of auditor and the special resolution approving the Transaction and the special resolution regarding stated capital as provided in this Circular.**

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting, and with respect to any other matter which may properly come before the Meeting or any adjournment thereof. As of the date of this Circular, Management is not aware of any such amendment, variation or other matter proposed or likely to come before the Meeting. However, if any such amendment, variation or other matter properly comes before the Meeting, it is the intention of the persons named in the enclosed form of proxy to vote on such other business in accordance with their best judgment.

**Manner of Voting**

The Transaction Resolution is a special resolution which must be passed by two-thirds of those Class A Shareholders, Class L Shareholders, Class B Shareholder and Class P Shareholders, voting as separate classes, voting at the Meeting in person or by proxy. The special resolution regarding the stated capital of the Class A Shares and the Class L Shares is also a special resolution which must be passed by two-thirds of those Class A Shareholders, Class L Shareholders and Class B Shareholder voting at the Meeting in person or by proxy. In the case of an equality of votes, the Chair of the Meeting shall not be entitled to a second or casting vote.

**Interests of Certain Persons in Matters to be Acted Upon**

No person who has been a director or executive officer of the Fund or the Manager since the beginning of the last financial year and no person who is a proposed nominee for election as a director of the Fund and no associate or Affiliate of any such director, executive officer or proposed nominee has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting other than the election of directors and as set forth under the heading "Other Meeting Matters – Interest of Management and Others in Material Transactions" in respect of the Transaction.

**Principal Holders of Securities**

The authorized capital of the Fund consists of an unlimited number of Class A Shares, issuable in series, 25,000 Class B Shares, an unlimited number of Class C Shares, issuable in series, an unlimited number of Class L Shares, issuable in series and an unlimited number of Class P Shares, issuable in series. Six series of the Class A Shares have been designated, the Series I Shares, the Series II Shares, the Series III Shares, the Series IV Shares, the Series V Shares and the Series VI Shares. No series of the Class C Shares has been designated, one series of the Class L Shares has been designated, the Series I Shares, and two series of the Class P Shares have been designated, the Manager Series IPA Shares and the Advisor Series IPA Shares. As of February 14, 2014, the record date for the Meeting, there were 1,121,846.769 Class A Shares, one Class B Share, no Class C Shares, 2,100,911 Class L Shares

and two Class P Shares issued and outstanding. The holders of Class A Shares are entitled to one vote in respect of each Class A Share held at all meetings of the shareholders of the Corporation. The holders of Class L Shares are entitled to one vote in respect of each Class L Share held at all meeting of the shareholders of the Corporation. Class A Shareholders as a class voting together with the Class L Shareholders as a class will be entitled to elect one-third of the directors and where such number is not a whole number, such number of directors that is rounded down to the nearest whole number. The holder of the Class B Share is entitled to one vote in respect of the Class B Share held at all meetings of the shareholders of the Fund and, voting as a class, is entitled to elect the number of directors representing the total number of directors less the number of directors that the holders of the Class A Shareholders as a class voting together with the Class L Shareholders as a class are entitled to elect, provided that such number of directors shall not be less than a majority of the total number of directors. The holders of Class P Shares are generally not entitled to vote at meetings of shareholders of the Fund except as provided by law.

The Fund has set the record date for voting as the close of business 5:00 p.m. (Toronto time) on February 14, 2014. Only shareholders of record as at the Record Date are entitled to receive notice of and to vote in person or by proxy in respect of the matters to be voted on at the Meeting.

To the knowledge of the Fund, as of February 14, 2014**,** no person or company owned of record or beneficially, directly or indirectly, more than 10% of any series of the Class A Shares or the Class L Shares. The directors and executive officers of the Fund own, directly or indirectly, in aggregate, less than 10% of each outstanding class and series of voting or equity securities of the Fund.

Through a wholly-owned subsidiary, 1208733 Ontario Inc. (the "**Sponsor Corp.**"), the Sponsor beneficially owns the sole issued and outstanding Class B Share.

B.E.S.T. Investment Counsel Limited owns beneficially and of record the two issued and outstanding Class P Shares.

The Manager is a wholly-owned subsidiary of 1209762 Ontario Inc. 1209762 Ontario Inc. owns directly and of record all of the 100,000,000 issued and outstanding voting common shares of the Manager. Mr. John M.A. Richardson, an officer of the Fund, and a director and officer of the Manager, controls 1209762 Ontario Inc. and is a director and officer of 1209762 Ontario Inc. All of the 100 issued and outstanding voting common shares of 1209762 Ontario Inc. are owned directly and of record by The John M.A. Richardson Family Trust and all of the 2,280 issued and outstanding voting preferred shares of 1209762 Ontario Inc. are owned directly and of record by Mr. Richardson. Mr. Richardson indirectly controls the Manager and the Management Advisor.

Mr. Richardson owns directly all of the issued and outstanding voting common shares of BEST Capital Administration Inc., an affiliated entity of the Manager, which provides services to the Manager. The Fund pays BEST Capital Administration Inc. for certain rent and storage costs. Mr. Richardson was a director of Convexus Managed Services Inc., a registrar of the Fund, until November 3, 2010.

The members of the IRC own, directly or indirectly, in aggregate, less than 10% of each outstanding class and series of voting or equity securities of the Fund, and do not own any securities of the Manager or any company that provides services to the Fund or to the Manager.

The Fund has made an investment in CSE, on which the Class L Shares, Series I of the Fund are listed.

## PART II - THE TRANSACTION

### Background to the Transaction

The Transaction would enable the current Shareholders to have their Shares exchanged for Units of the Limited Partnership. The Limited Partnership has similar investment objectives and strategies as the Fund, but is not subject to the requirements and investment restrictions of a Labour Sponsored Investment Fund Corporation. The Shareholders of the Fund would have the opportunity to participate in a Limited Partnership that will provide its investors with exposure to the Fund's current investment portfolio, a liquidity option and the opportunity to continue to access Management's expertise in venture investing, while opening up investment possibilities by moving away from the legislative framework of the Ontario Act. If approved, pursuant to the Transaction, the Fund will sell its assets (less cash required to satisfy current and anticipated liabilities) to the Limited Partnership, in exchange for Units of the Limited Partnership. Existing Class A Shares and Class L Shares would be exchanged for Units of the new Limited Partnership, and the Class B Share and Class P Shares would remain outstanding and be redeemed in connection with the wind-up of the Fund.

Since the Ontario government phased out the Ontario tax credit program for Labour Sponsored Investment Fund Corporations at the end of 2011, and following the Federal government's announcement on March 21, 2013 that it will phase out the 15% Federal Credit by 2017, the Manager and the Board have been evaluating the Fund's options. The Manager believes that the Fund holds a high quality portfolio of investments in private companies. However, the market for private company securities remains weak and the Fund continues to experience a lack of liquidity for its investments in Portfolio Companies. The Manager is of the view that it is not currently possible to liquidate the securities in the Fund's portfolio for the value the Manager believes should be realized and it is difficult for the Manager to predict when the liquidity situation will improve.

In July 2009, the Fund undertook a plan of arrangement (the "**Arrangement**") under section 192 of the *Canada Business Corporations Act* (the "**CBCA**") which was effective as of July 24, 2009 (the "**Plan of Arrangement**"), which, among other things, created the Class L Shares. The purpose of the Arrangement was to preserve the interests of Class A shareholders of the Fund in light of the liquidity crisis which had caused the Fund to suspend sales and redemptions of its Class A Shares for an indefinite period of time. On December 19, 2008, the Fund announced the suspension of sales and redemptions of its shares, in order for the Fund to protect the returns and liquidity for all of its shareholders, in view of the Fund's lack of liquidity, market conditions and anticipated redemption requests.

The Plan of Arrangement was approved by the shareholders of the Fund at the Fund's annual and special meeting held on June 24, 2009, and a final order with respect to the Plan of Arrangement was issued on June 26, 2009 by the Ontario Superior Court of Justice. Pursuant to the Plan of Arrangement, each holder of the Fund's existing Class A shares received, in accordance with each holder's election or deemed election as set forth in the Plan of Arrangement: (a) new Class A Shares of the Fund; and/or (b) new Class L Shares of the Fund. The number of Class A Shares and Class L Shares issued was determined by the conversion proceeds calculation set out in the Plan of Arrangement and which depended in part on the number of shares held on July 24, 2009 and the net asset value per applicable series of Class A shares on the valuation date immediately prior to such date. Both new classes of shares were issued at an initial price of $8.00 per share in the Plan of Arrangement.

The Class A Shares remain redeemable at the net asset value of the applicable series of shares subject to the limitations set out in the Articles. Immediately following the Arrangement, there was an initial three-year moratorium on redemptions from July 24, 2009 (subject to exceptions usually permitted by the Ontario Act), which expired on July 24, 2012. The Fund suspended redemptions again on June 24, 2013 as a result of reaching the Fund's cap on redemptions in any one year, as provided in the Articles.

Currently, the Fund is not required to redeem Class A Shares having an aggregate redemption price greater than 20% of the net asset value of the Class A Shares as at the end of the preceding financial year. The Class A Shares are convertible into Class L Shares, Series I at the demand of the shareholder any time after the second anniversary of issuance.

The Class L Shares, Series I are listed on the Canadian Securities Exchange (the "**CSE**") under the symbol "VC". Class L Shares, Series I are not redeemable at the demand of the holder. Capital attributable to the Class L Shares is

not subject to the pacing requirements of the Ontario Act. Purchasers thereof do not qualify for the Ontario Credit or the Federal Credit. The Ontario Credit was the tax credit which was available under the Ontario Tax Act and the Ontario Act to certain investors on issuance of Class A shares of Labour Sponsored Investment Fund Corporations, subject to the conditions and limits prescribed in those statutes. The Federal Tax Credit is the tax credit available under the Tax Act to certain investors on issuance of Class A shares of Labour Sponsored Investment Fund Corporations, subject to the conditions and limits prescribed in the Tax Act.

The Class L Shares have, since inception, traded at a discount to their net asset value. The Manager believes it will be difficult in the future to raise any new capital for the Fund to support the Fund's current Portfolio Companies and maintain a stable asset base for the Shareholders. Since the announcements respecting the phase-out of the Ontario Credit and the Federal Credit, there has been a significant change to the ability of labour-sponsored investment funds, such as the Fund, to raise capital. The Ontario Credit was eliminated after February 29, 2012, and the Federal Credit will be reduced to 10% for the 2015 taxation year, 5% for the 2016 taxation year and will be eliminated for 2017 and subsequent years.

The Board meets frequently, at least once a quarter. Management reports frequently to the Board on the status of the Fund's venture investments as well as its liquidity position. As part of its liquidity management, Management reports on the expected principal repayment and divestitures of existing venture investments, expected interest income, estimated fees and expenses as well as estimated redemptions and funds required for new or follow-on investments. Throughout those meetings, Management and the Board discussed that the Fund had sufficient liquidity to meet redemption requests in the ordinary course; however, as the Class A Shares were not in continuous distribution, the Class A Share capital would continuously decline, thereby resulting in expenses being spread across fewer shares. In addition, it was noted that the Class L Shares trade at a substantial discount to their net asset value.

In response to inquiries from Shareholders, the Chair of the Board asked the Manager to prepare a strategic review of the Fund's options and the feasibility of undertaking different potential transactions in June, 2013 for examination by the Board. The Manager subsequently researched a number of liquidity options. Throughout the summer and early fall, the Board held five meetings, the Manager and the Chair of the Board spoke and met on numerous occasions to discuss the results of the research and analysis, and the Manager spoke with a number of industry participants. The Board and the Manager examined a number of potential alternatives, including:

- maintaining the status quo;
- implementing a redemption provision for Class L Shares;
- separating the Class L Shares and Class A Shares into two different funds;
- sale of the Fund's portfolio to a third party with a subsequent wind-up; and
- an orderly wind-up of the Fund.

Management and the Board determined that maintaining the status quo for the Fund for an extended period of time would not be sustainable. Given the current climate for the labour-sponsored investment fund industry, it is unlikely that the Fund could successfully raise additional capital through the sale of Class A Shares or Class L Shares. Class A Shares would continue to be redeemable in the ordinary course up to limit set forth in the Articles and the Class A Share capital would continue to diminish. It is likely that the Fund would not be in a position to continue to satisfy all redemption requests beyond the 20% limit set out in the Articles. The ability and timing of any sale of the private holdings in the Fund's venture investment portfolio in order to satisfy redemption requests is uncertain. The Manager is also of the view that the Class L Shares, based on their historical trading price, would continue to trade at a discount to their net asset value, and as the proportion of Class L Shares to Class A Shares increases over time, expenses of the Fund will be spread over the remaining Class A Shareholders and Class L Shareholders.

Similarly, given the liquidity concerns relating to the Class A Shares as well as the cash required to satisfy redemption requests for Class A Shares, the Manager determined it would not be in the best interests of the Fund to

amend the terms of the Class L Shares to provide for cash redemptions on demand. It was determined it would not be feasible to separate out the Class L Shares and Class A Shares into two different funds.

The Manager believes that the Fund holds a high quality portfolio of investments in private companies and that the other holders of portfolios of private company investments, for example, other labour-sponsored investment funds, have experienced a similar lack of liquidity. The Manager is of the view that it is not currently possible to liquidate the securities in the Fund's portfolio for fair value and it is difficult for the Manager to predict when the liquidity situation will improve. If the Fund was to seek to liquidate its portfolio in the current environment to wind-up, the Manager believes that it would not be possible to realize the fair value of the Fund's venture investments.

The Chair and the Manager analyzed the Transaction with legal counsel, and the Board and the Manager discussed a potential transaction on December 17, 2013. The Manager proposed that the Limited Partnership could issue Units and value the assets of the Fund being acquired by the Limited Partnership on a fair value basis with no discount. The expected benefits of the Transaction would include reduced costs, ability to raise additional capital, a more stable asset base with which to make new and follow-on investments, potential for enhanced venture portfolio performance and greater venture portfolio diversification.

The Manager also examined the form of asset purchase agreement attached hereto as Appendix "E" and presented its analysis as to whether the terms and conditions of the asset purchase agreement are reflective of those between parties negotiating at arm's length. The Manager determined that the commercial terms of the asset purchase agreement and the Transaction are consistent with industry practice. In particular, the Transaction is based on an exchange of Units of the Limited Partnership for the net assets of the Fund, based on the relative NAV of the Fund, with no liquidity or fair value discount.

After examining the alternatives and the Transaction, the Board unanimously approved the Transaction on January 31, 2014.

The IRC having received and reviewed materials from the Manager outlining the Transaction, and after retaining the Osler law firm as independent counsel to the IRC, met on February 3, 2014. The IRC specifically considered potential conflicts relating to the fees to be payable to the Manager and the General Partner for duties performed with respect to the Limited Partnership, as well as the use of a limited partnership as the investment vehicle. Having had an opportunity to ask questions of the Manager regarding the conflicts arising as a result of the Transaction and after having consulted with its independent counsel, the IRC concluded, after reasonable inquiry, that the Transaction achieves a fair and reasonable result for the Fund.

On February 3, 2014, the Fund announced that it would submit a proposed transaction to Shareholders for their approval, pursuant to which the Limited Partnership would acquire the assets of the Fund in exchange for Units, and the Fund would redeem its Class A Shares and Class L Shares in exchange for Units, such that following completion of the Transaction, the Shareholders would become limited partners of the Limited Partnership. On February 3, 2014, the Fund also announced the suspension of redemptions of Class A Shares in order for the Fund to protect the returns and liquidity for the Shareholders.

If Shareholders approve the Transaction Resolution, the Fund will execute and deliver an asset purchase agreement, substantially in the form of the agreement attached hereto as Appendix "E" and following satisfaction or waiver of the applicable closing conditions, including the applicable regulatory approvals, the Transaction will be completed. If all required closing conditions are satisfied or waived as anticipated, the Transaction is expected to have an Effective Date of May 30, 2014.

**Reasons for the Transaction**

In arriving at its decision to restructure the Fund, the Board and the Manager examined the rules governing the exiting of the Ontario labour-sponsored investment fund program and considered possible options for the future operation of the Fund, as outlined above.

Following the consideration of these options, the Board unanimously approved the Transaction. The potential primary benefits of this option identified by the Board in coming to this decision were as follows:

- The potential to raise additional capital, which is not currently practical given recent developments applicable to labour-sponsored investment funds, including the phase out of the Ontario Credit and the Federal Credit.

- The Limited Partnership will not be subject to the restrictions contained in the Ontario Act, including restrictions on the number, size or geographic location of its investee companies, nor will it be subject to any investment pacing requirements. Diversification is an important factor in mitigating the risks of venture capital investing and the General Partner can diversify the portfolio of the Limited Partnership.

- The General Partner intends to provide regular cash distributions to the Limited Partners, having regard to the income received or anticipated to be received from the portfolio companies held by the Limited Partnership as well as the fees, expenses and other obligations of the Limited Partnership. The Fund has not made any cash distributions to its Shareholders.

- The Transaction provides all Shareholders (including those requiring income from their RRIFs) with a liquidity option, as, subject to regulatory approval, all Units are intended to be listed on the CSE.

- Provided the requested rulings from the Ministry of Finance (Ontario) are not amended in a material adverse manner, Class A Shareholders will not be subject to a tax in respect of tax credits previously claimed solely as a consequence of the Transaction. The Fund will not charge redemption fees on Class A Shares redeemed in exchange for Units.

- If the Limited Partnership holds the venture capital investments for sufficient time to permit it to identify and implement suitable exit opportunities, the Manager believes this will provide a better opportunity to optimize the exit value potential of the specific holdings. Absent the Transaction, the Fund may be required to try to dispose of specific holdings in the future to obtain liquidity to satisfy redemption requests, which reduces the Fund's active involvement with the issuer and limits the potential exit value of the securities.

- The expenses of operations of the Limited Partnership are expected by the Manager to be lower than those of the Fund, as, among other things, it will not be subject to the requirements of the Ontario Act (including an independent annual valuation requirement or the requirement to have a sponsor), will not be required to have an independent review committee, and as a limited partnership, it will not be required to hold annual meetings, and the service provider fees are expected to be less expensive.

- The Transaction would permit the Fund to minimize the liquidation effects that would otherwise occur if the Fund were to wind-up.

- While the Transaction may be taxable to certain shareholders, a wind-up of the Fund in the ordinary course may also be taxable to certain shareholders.

- The Transaction Resolution must receive the appropriate approval by Shareholders in order to be adopted.

Units will not be redeemable at the demand of the holder. The Limited Partnership will not be subject to the Ontario Act and will not be regulated as a Labour Sponsored Investment Fund Corporation. Purchasers thereof will not qualify for the Federal Credit.

The foregoing discussion of the information and factors considered and given weight by the Board is not intended to be exhaustive. In reaching the determination to approve and recommend the Transaction Resolution, the Board did not assign any relative or specific weight to each factor. There are risks associated with the Transaction, including that some of the potential benefits set forth in this Circular may not be realized or that there may be significant costs associated with realizing such benefits. See "Risk Factors".

**Tax Credits and Redemptions for Existing Class A Shares**

Except in certain special circumstances, a holder who wishes to redeem Class A Shares within eight years after the date on which such shares are issued will be subject to certain taxes equal to all or a portion of the Federal Credits and the Ontario Credits received on the purchase of such Shares. For these purposes, any Class A Share issued in February or March that is redeemed in February or on March 1st is deemed by the Ontario Act to have been redeemed on March 31st. The Fund has received advance rulings from the Ministry of Finance (Ontario) that Class A Shareholders who have held their shares for less than eight years will not have to pay such a tax in respect of the Ontario Credits as a result of the Transaction. On the basis that no such tax is payable in respect of the Ontario Credits, no such tax will be payable under the Tax Act in respect of the Federal Credits.

There are additional restrictions on the redemption of Class A Shares. A holder who wishes to redeem Class A Shares, Series I, Series II, Series IV or Series V within eight years from the date on which such shares are issued will be charged an early redemption fee payable to the Fund. For Class A Shares, Series I or Series IV, the redemption fee is one-eighth of 6.25% of the redemption price of such shares for each year or part year remaining before the eighth anniversary of the date of issue. For Class A Shares, Series II or Series V, the redemption fee is 1.25% of the redemption price of such shares for each year or part year remaining before the eighth anniversary of the date of issue. No early redemption fee is payable upon redemption of the Class A Shares, Series III or Series VI. No redemption fee is payable upon redemption of a Class A Share, Series I, Series II, Series IV or Series V where the redemption occurs after the eighth anniversary of the date of issue of such shares. In any financial year, the Fund will not be required to, but may at its option if sufficient liquid assets are available, redeem Class A Shares having an aggregate redemption price exceeding 20% of the net asset value of the Class A Shares.

Once Class A Shares have been held for eight years, investors will generally be able to request the Fund redeem their shares at the net asset value of the applicable series.

**Ontario Ministry of Finance Advance Rulings**

The Fund has received certain advance rulings from the Ministry of Finance (Ontario) in respect of the Transaction to the effect that:

1. Subject to the requirements of the Ontario Act, the wind-up provisions of the Ontario Act will apply to the Fund such that Class A Shareholders who have held Class A Shares for less than eight years will not have to effectively repay tax credits (through special taxes) granted on the original purchase of Class A Shares as a result of the Transaction;

2. The Fund will not be in contravention of any provision of the Ontario Act by reason only of the Transaction;

3. The Transaction will not contravene the spirit and intent of the Ontario Act;

4. The registration of the Fund under the Ontario Act will not be revoked by reason of the Transaction; and

5. The Minister of Finance will not assess any penalty against any person under subsection 18(13) of the Ontario Act by reason of the Transaction.

**Comparison of the Fund and the Limited Partnership**

The Fund is governed by the provisions of the CBCA and, accordingly, investors in the Fund have certain rights and privileges under the CBCA. A corporation is a legal entity that is separate from its shareholders who are not personally liable for the debts or obligations of the corporation. The rights provided to investors under the CBCA include, but are not limited to, the right to vote in respect of certain fundamental changes, the right to receive dividends if and when declared by the corporation's board, and the right to participate equally in the distribution of the assets of the corporation on a wind up, after the payment of liabilities as well as a requirement for the corporation to hold annual meetings. Holders of shares in a corporation also have certain statutory rights such as the right to bring "oppression" or "derivative" actions and the right to dissent and be paid the fair value of shares upon

the implementation of certain fundamental transactions. Following the Transaction, investors in the Limited Partnership will not have the rights discussed above provided under the CBCA. The rights of the unitholders of the Limited Partnership are described in detail in the Limited Partnership Agreement which will govern the Limited Partnership, which is expected to be substantially in the form of that included as Appendix "G" in this Circular. The Limited Partnership is also subject to the requirements of the *Limited Partnerships Act* (Ontario), including with respect to circumstances in which Limited Partners may lose their limited liability.

One main difference between an investment in a mutual fund corporation and a limited partnership is how the investment is taxed, which may be important if an investment is made outside of a registered plan (such as a registered retirement savings plan). A mutual fund corporation generally distributes its earnings by declaring ordinary dividends or capital gains dividends. A corporation is treated as a separate taxpayer for purposes of the Tax Act and is subject to tax on its taxable income computed in accordance with the Tax Act. Canadian resident individuals who receive dividends from a corporation are generally required to include the amount of such dividends when computing their income for tax purposes, subject to the detailed provisions of the Tax Act, including the gross-up and dividend tax credit rules contained in the Tax Act. By contrast, subject to certain exceptions, including the SIFT Partnership rules contained in the Tax Act, partnerships are generally not treated as separate taxpayers for Canadian income tax purposes. Rather, partnerships generally compute their income and loss as if they were separate taxpayers and thereafter allocate such income or loss to their respective members for the purposes of, and subject to, the detailed provisions of the Tax Act.

The following is a summary of some of the key features of the Fund and the Limited Partnership. Shareholders should also review the sections in this Circular with respect to the investment strategies and restrictions of both the Fund and the Limited Partnership. See "Information Concerning the Fund" and "Information Concerning the Limited Partnership". This summary is qualified in its entirety by the more detailed disclosure found elsewhere in this Circular, the form of asset purchase agreement attached hereto as Appendix "E" and the Limited Partnership Agreement.

| **Feature** | **Class A Shares of the Fund** | **Class L Shares of the Fund** | **Units of the Limited Partnership** |
|---|---|---|---|
| **Investment Objective and Strategy** | The primary objective of the Fund is to achieve long-term capital appreciation for holders of the Fund's Shares. The Fund primarily invests in equity and equity-related securities, such as preferred shares and debt obligations which are convertible into equities, of eligible businesses which have the greatest potential for long-term growth. The Fund primarily maintains an investment focus on niche businesses and other companies with a broader market focus which are capitalizing on innovative uses of engineering, science and technology. The Fund diversifies its portfolio by investing in eligible companies that are in differing stages of development in a variety of high growth potential industries, which, from time to time, may include telecommunications, information technology, computers and life sciences. The Fund is subject to the investment restrictions of the Ontario Act. | See "Class A Shares of the Fund". | The Limited Partnership's investment objectives will be to provide a return on investment for Limited Partners and provide regular cash distributions.<br><br>The Limited Partnership will be focused on funding rapidly growing Canadian companies by providing them with the capital needed to execute their growth strategies and acquisition plans. Its primary focus will be on companies with recurring revenue streams in the technology, healthcare and financial services industry. The Limited Partnership will initially focus its investments on companies in the expansion phase of development in mid to late stages. In addition, the Limited Partnership may acquire previously issued securities of portfolio companies from the holders of such securities. The Limited Partnership will not |

| Feature | Class A Shares of the Fund | Class L Shares of the Fund | Units of the Limited Partnership |
|---|---|---|---|
| | | | be subject to any investment restrictions regarding any particular sector, industry or stage of development. The investment portfolio of the Limited Partnership is intended to be diversified.<br><br>The Limited Partnership may utilize leverage up to 50% of its Partners' Equity. |
| **Geographic Focus for Investments** | Ontario | See "Class A Shares of the Fund". | Any province or territory of Canada. |
| **Eligibility** | Individuals and certain RRSPs and TFSAs which meet all the requirements of the Ontario Act. | The Fund may issue Class L Shares, Series I at any time and from time to time to persons, in the manner, on the terms and conditions and for the issue prices determined by the Board. | Cannot be purchased by non-residents of Canada, or persons or partnerships that would cause interests in the Limited Partnership to be "tax shelter investments" for the purposes of the Tax Act. There are limitations on the number of Units that may be held by "financial institutions" for purposes of the Tax Act. |
| **Fractional Securities** | A holder of a fractional Class A Share is entitled to exercise voting rights and to receive dividends in respect of such fractional Class A Share to the extent of such fraction. | Fractional Class L Shares may not be issued. | Fractional Units may not be issued. |
| **Differences between Series** | Different redemption fee and service fee structures apply to each of the Class A Shares, Series I, Class A Shares, Series II, Class A Shares, Series III, Class A Shares Series IV, Class A Shares, Series V and Class A Shares, Series VI. The payment of service fees from the Fund on Class A Shares is subject to regulatory approval.<br><br>Class A Shares are not currently in continuous distribution. In future, sales commissions may be payable on the issuance of Class A Shares, subject to regulatory approval, and those sales commissions may vary by series.<br><br>If the Fund is requested to redeem Class A Shares, Series I, Series II, Series IV or Series V before the eighth anniversary of the issue date of such shares, holders of such shares so redeemed will be charged an early redemption fee payable to the Fund. The redemption fee payable upon redemption of the Class A Shares, Series I or Series IV will be one eighth of 6.25% of the redemption price of such shares for each year or part year remaining before the eighth | Issuable in series.<br><br>The Fund requires regulatory approval to pay service fees on the Class L Shares. | Initially only one Class of Units will be issued; the Limited Partnership may issue an unlimited number of unlimited Classes of Units. |

| Feature | Class A Shares of the Fund | Class L Shares of the Fund | Units of the Limited Partnership |
|---|---|---|---|
| | anniversary of the date of issue. The redemption fee payable upon redemption of the Class A Shares, Series II or Series V will be 1.25% of the redemption price of such shares for each year or part year remaining before the eighth anniversary of the date of issue. There is no early redemption fee payable to the Fund by holders of the Class A Shares, Series III or Series VI. | | |
| **Transfer Restrictions** | Transfers of Class A Shares may generally be made by the original purchaser, an RRSP or RRIF under which the original purchaser or his or her spouse is the annuitant, a TFSA under which the original purchaser is the holder, if the Class A Shareholder has satisfied all applicable conditions, if any, of the Tax Act, the Ontario Tax Act, the Ontario Act and other similar provincial legislation having application to the holder or the Fund. Currently, there are no restrictions on transfer. | No restrictions on transfer. | An application is expected to be made to list Units on the CSE. Transfers may be required to be approved by the General Partner and will be rejected in specified circumstances. See "Information Concerning the Limited Partnership". |
| **Redemptions** | Redemptions without tax withholding may only be made in the circumstances set out in the Ontario Act, such as in cases of becoming disabled and permanently unfit for work or terminally ill, death or after the Class A Shares have been held for eight years.<br><br>In any financial year, the Fund is not required to, but may at its option if sufficient liquid assets are available, redeem Class A Shares having an aggregate redemption price exceeding 20% of the net asset value of the Class A Shares calculated as of the last day of the preceding financial year.<br><br>The Fund will be entitled to suspend the right of holders of Class A Shares to redeem Class A Shares and/or delay the date for payment of the redemption price in respect of any redeemed Class A Share for the whole or any part of any period during which the consent of any applicable securities regulatory authorities has been obtained. | No redemptions at the request of the holder.<br><br>The Class L Shares, Series I may be redeemed by the Fund without notice on any date fixed by the Fund if the redemption is considered necessary by the Board to ensure that the Fund maintains its status as a "mutual fund corporation" under the Tax Act or as a "widely held" corporation under the Ontario Act, or to ensure that the Fund complies with other legislation or regulatory requirements applicable to the Fund.<br><br>Subject to applicable law and any applicable regulatory requirements, the Fund has the right, but not the obligation, exercisable in its sole discretion, to purchase for cancellation outstanding Class L Shares, Series I in the market from time to time. | Units are not redeemable at the request of the holder. Units may be redeemed by the General Partner in the circumstances set out in the Limited Partnership Agreement. |
| **Liquidity** | Redemptions of Series I, Series II, Series IV and Series V of Class A Shares subject to a redemption fee, depending on how long shares are held. | Class L Shares are not redeemable at the demand of the holder.<br><br>Redeemable at the option of the Fund only in certain circumstances, including to | Units will not be redeemable at the demand of the holder.<br><br>Units may be redeemed by the General Partner in limited |

| Feature | Class A Shares of the Fund | Class L Shares of the Fund | Units of the Limited Partnership |
|---|---|---|---|
| | Redemptions subject to tax in respect of historical tax credits depending on how long the shares are held.<br><br>Redemptions in any one year limited to 20% of the net asset value of the Class A Shares.<br><br>Convertible to Class L Shares after two years. In the event the Class A Shares have been held for less than eight years, redemption fees and tax in respect of historical tax credits may apply to the transaction. | maintain the Fund's status as a mutual fund corporation under the Tax Act.<br><br>Listed on the CSE. | circumstances.<br><br>An application for conditional listing is expected to be made to list the Units on the CSE. |
| **Management Fees** | The Manager receives a management fee of 1.50% per annum of the Net Asset Value of the Fund, calculated and paid monthly in arrears. | See "Class A Shares of the Fund". | The General Partner will be entitled to receive an annual management fee equal to 0.995% of the total assets of the Limited Partnership. The LP Management Fee (as defined herein) will be calculated and paid monthly in arrears based on the total assets of the Limited Partnership as at the end of the applicable month. |
| **Advisory Fees** | B.E.S.T. Investment Counsel Limited is entitled to an annual management advisory fee of 1.75% of the Net Asset Value of the Fund calculated and paid monthly in arrears. | See "Class A Shares of the Fund". | N/A |
| **Sales/Marketing Fees** | B.E.S.T. Investment Counsel Limited receives a fee, payable monthly in arrears, equal to one-twelfth of: (i) 0.425% per annum of that portion of the Net Asset Value of the Fund less than or equal to $50,000,000; (ii) 0.4% per annum of that portion of the Net Asset Value of the Fund greater than $50,000,000 but less than or equal to $100,000,000; (iii) 0.375% per annum of that portion of the Net Asset Value of the Fund greater than $100,000,000 but less than or equal to $150,000,000 and (iv) 0.35% per annum of that portion of the Net Asset Value of the Fund greater than $150,000,000, (2) less $8,000. | See "Class A Shares of the Fund". | N/A |
| **Accounting/Administration Fees** | B.E.S.T. Investment Counsel Limited receives from the Fund a fee, payable monthly in arrears, in the amount of $8,000 per month plus all applicable taxes. | See "Class A Shares of the Fund". | N/A |

| Feature | Class A Shares of the Fund | Class L Shares of the Fund | Units of the Limited Partnership |
|---|---|---|---|
| **Priority Profit Allocation** | N/A | N/A | The General Partner will share in the profits of the Limited Partnership by receiving, among other things, a priority share of the net income of the Limited Partnership.<br><br>Distributions may be made to the General Partner in respect of its established or potential future entitlement to the Priority Profit Allocation, calculated as of the last day of each calendar quarter, equal to one quarter of 2.68% of the total assets of the Limited Partnership as at the last day of each calendar quarter (the "**Priority Profit Quantum**"). |
| **Incentive Dividends/ Performance Allocation** | The holder of Manager Series IPA Shares (as defined herein) is entitled to receive dividends based upon realized gains and income on eligible investments. These dividends are equal to four percent (4%) of all realized gains and income earned on each particular eligible investment in excess of a fifteen percent (15%) annual average rate of return earned from the particular eligible investment since the date of investment. Before any such dividends can be paid the conditions described under "Information Concerning the Fund – Management – Incentive Performance Amount" must be met. The annual IPA is calculated and, if payable, paid quarterly in arrears.<br><br>The holder of Advisor Series IPA Shares (as defined herein) is entitled to receive dividends based upon realized gains and income on eligible investments. These dividends are equal to the sum of (1) all realized gains and income earned from each particular eligible investment in excess of a twelve percent (12%) annual average rate of return, up to and including a fifteen percent (15%) annual average rate of return earned from the particular eligible investment since the date of investment; and (2) sixteen percent (16%) of all realized gains and income earned on each particular eligible investment in excess of a fifteen percent (15%) annual average rate of return earned from the particular eligible investment since the date of investment. Before any such | See "Class A Shares of the Fund". | The General Partner will be entitled to an additional share of the net income of the Limited Partnership if certain conditions described under "Information Concerning the Limited Partnership – Executive Compensation and Management Arrangements – Performance Allocation" are satisfied (the "**Performance Allocation**").<br><br>The Performance Allocation will be an amount equal to the aggregate of: (a) 100% of the realized gains and income earned on investments in portfolio companies in excess of a 12% annual average rate of return on such investments up to and including a 15% annual average rate of return on such investments; and (b) 20% of the realized gains and income earned on such investments in excess of the 15% annual average rate of return earned on such investments.<br><br>To the extent that the net income of the Limited Partnership is insufficient in any year to fully allocate an amount equal to the Priority Profit Quantum and the Performance Allocation for the year to the General Partner, the differential will be carried forward and factored into the allocation of the net income of the Limited Partnership in subsequent years. |

| Feature | Class A Shares of the Fund | Class L Shares of the Fund | Units of the Limited Partnership |
|---|---|---|---|
| | dividends can be paid the conditions described under "Information Concerning the Fund – Management – Incentive Performance Amount" must be met. The annual IPA is calculated and, if payable, paid quarterly in arrears. | | Distributions in respect of the Performance Allocation will be calculated and paid quarterly in arrears. |
| **Operating Expenses** | The Fund pays all of its operating expenses, including legal, audit and valuation costs, sales commissions and expenses, the fees payable to the Manager, storage and rent costs, and reasonable fees and expenses relating to the operation of the IRC out of working capital, which includes income earned on investments and the shareholders' capital of the Fund, among other things. The Fund has retained CIBC Mellon Trust Company (and certain of its affiliates), as custodian and pays for custodial services on a direct cost basis. The Fund, from time to time, retains registered investment dealers to execute liquid portfolio trades and the Fund pays for such services on a direct cost basis.<br><br>Listing expenses and transfer agency fees relating to the Class L Shares are charged only to that class. The Fund allocates other expenses relating solely to one class or series of shares only to that class or series, and otherwise allocates such expenses on a pro rata basis. | See "Class A Shares of the Fund". | The Limited Partnership will pay all of its operating expenses, including (i) legal, audit and valuation costs and fees of other specialized consultants or professional service providers of the Limited Partnership; (ii) accounting expenses; (iii) unitholder reporting costs and regulatory filing fees; (iv) expenses relating to the making, holding and divestiture of investments or proposed investments, whether or not consummated; (v) fees and expenses relating to compliance with securities laws, including newswire, mailing, printing and other expenses incurred in connection with the Limited Partnership's continuous disclosure obligations; (vi) fees and expenses relating to the listing of the Units and compliance with applicable listing requirements; (vii) the LP Management Fee; (viii) the LP Board Expenses (as defined herein), to the extent incurred; (ix) the fees and expenses of the custodian and the transfer agent and CDS; (x) expenses relating to the administration of any distribution reinvestment plan; (xi) expenses relating to meetings of the Limited Partners; (xii) all litigation-related and indemnification-related costs and expenses; (xiii) storage costs and lease and rent expenses; (xiv) the fees payable to the independent directors of T1 General Partner Corp., and the cost of providing directors and officers liability insurance coverage for the directors and officers; (xv) any expenditures which may be incurred in connection with the dissolution of the Limited Partnership; and (xvi) any taxes (other than income taxes) relating to any of the foregoing expenses. |

| Feature | Class A Shares of the Fund | Class L Shares of the Fund | Units of the Limited Partnership |
|---|---|---|---|
| | | | To the extent the Limited Partnership utilizes a loan to make investments in portfolio companies, any interest charged on the loans will be paid by the Limited Partnership.<br><br>The General Partner will allocate expenses relating solely to one class of Units only to that class, and otherwise will allocate expenses as it deems equitable when allocating the Net Income/Net Loss of the Limited Partnership among the members of the Limited Partnership.<br><br>The Limited Partnership will reimburse the General Partner for any reasonable out-of-pocket expenses incurred by the General Partner or its agents in the ordinary course of business or other costs and expenses incidental to acting as General Partner so long as the General Partner is not in default of its obligations under the Limited Partnership Agreement. |
| **Voting Rights** | Holders of Class A Shares will be entitled to receive notice of and attend all meetings of shareholders of the Fund and, except for meetings at which only holders of a different class or series of shares of the Fund are entitled to vote separately as a class or series, are entitled to vote at any such meeting. Each Class A Share entitles the holder thereof to one vote per share, provided that the entitlement of holders of Class A Shares to elect directors of the Fund is limited. | Holders of Class L Shares are entitled to receive notice of and attend all meetings of shareholders of the Fund and, except for meetings at which only holders of a different class or series of shares of the Fund are entitled to vote separately as a class or series, are entitled to vote at any such meeting. Each Class L Share entitles the holder thereof to one vote per share, provided that the entitlement of holders of Class L Shares to elect directors of the Fund is limited. | The Limited Partnership will not be required to hold annual meetings. Each Unit will entitle the holder thereof to one vote per Unit and will be entitled to vote on matters set out in the Limited Partnership Agreement. |
| **Election of Directors** | Holders of Class A Shares together with holders of Class L Shares are entitled to elect one-third of the directors of the Fund and where such number is not a whole number, the number is rounded down to the nearest whole number. The Sponsor, as holder of the Class B Shares, is entitled to elect the remaining directors. | Holders of Class L Shares together with holders of Class A Shares are entitled to elect one-third of the directors of the Fund and where such number is not a whole number, the number is rounded down to the nearest whole number. The Sponsor, as holder of the Class B Shares, is entitled to elect the remaining directors. | N/A |
| **Dividends / Distributions** | Holders of Class A Shares are entitled to receive dividends at the discretion of the Board of Directors, provided that no dividends will be declared or paid unless the same dividend per share | Holders of Class L Shares are entitled to receive dividends at the discretion of the Board of Directors, provided that no dividends will be declared or paid unless the same dividend per share | The Limited Partnership intends to make regular cash distributions. The cash distribution amount may differ from the amount allocated as Net Income to |

| Feature | Class A Shares of the Fund | Class L Shares of the Fund | Units of the Limited Partnership |
|---|---|---|---|
| | is declared or paid on Class L Shares and Class C Shares. | is declared or paid on Class A Shares and Class C Shares. | the Limited Partners in any year. |
| **Dissolution** | On liquidation, dissolution or winding-up of the Fund or other distribution of the assets of the Fund for the purpose of winding-up its affairs, the holders of Class A Shares, Class C Shares (if any) and Class L Shares will be entitled to share on a *pro rata* basis all the assets of the Fund remaining after payment of all liabilities of the Fund and after the return of paid-up capital to the holders of outstanding Class B Shares and after the holders of Class P Shares have received an amount equal to the amount paid for the issue of the Class P Shares. | On liquidation, dissolution or winding-up of the Fund or other distribution of the assets of the Fund for the purpose of winding-up its affairs, the holders of Class A Shares, Class C Shares (if any) and Class L Shares will be entitled to share on a *pro rata* basis all the assets of the Fund remaining after payment of all liabilities of the Fund and after the return of paid-up capital to the holders of outstanding Class B Shares and after the holders of Class P Shares have received an amount equal to the amount paid for the issue of the Class P Shares. | The Limited Partnership does not have a fixed termination date. It may be dissolved upon the occurrence of certain events stated in the Limited Partnership Agreement. Upon termination, the net assets of the Limited Partnership will be distributed to the Limited Partners and the General Partner. Prior to the termination date, the General Partner will, in its discretion, take steps to convert all or any part of the assets of the Limited Partnership to cash or freely trading securities and the net assets will be distributed as to 0.001% to the General Partner and as to 99.999% to the Limited Partners in proportion to their ownership of Units. |
| **Sponsor** | International Federation of Professional and Technical Engineers – Local 164.<br><br>The Sponsor is paid an annual fee equal to 0.15% of the Net Asset Value of the Fund, calculated and paid monthly in arrears. | See "Class A Shares of the Fund". | N/A |
| **IRC** | Pursuant to NI 81-107, an IRC has been established by the Manager. | See "Class A Shares of the Fund". | N/A |
| **Custodian** | CIBC Mellon Trust Company (and certain of its affiliates). | See "Class A Shares of the Fund". | CIBC Mellon Trust Company (and certain of its affiliates). |
| **Auditor** | PricewaterhouseCoopers LLP | See "Class A Shares of the Fund". | PricewaterhouseCoopers LLP |
| **Registrar and Transfer Agent** | Convexus Managed Services Inc. | TMX Equity Transfer Services | TMX Equity Transfer Services |

**Recommendation of the Independent Review Committee**

Pursuant to National Instrument 81-107 – *Independent Review Committee for Investment Funds* ("**NI 81-107**"), the Manager is required to identify conflict of interest matters in connection with its management of the Fund and refer all such conflict of interest matters to the independent review committee (the "**IRC**") for review. The IRC was asked to review the Transaction in the context of potential conflicts of interest that may arise in connection with the management of the Fund and to make a determination as to whether, in the circumstances and in light of such conflicts, the Transaction achieves a fair and reasonable result for the Fund.

The IRC was asked to review the Transaction in the context of potential conflicts of interest that may arise in connection with the management of the Fund, specifically matters relating to the proposed fees payable to the

Manager and the General Partner for duties performed with respect to the Limited Partnership, as well as the use of a limited partnership as the investment vehicle.

At a meeting held on February 3, 2014, the IRC reviewed and considered the Transaction. The IRC discussed the Fund's liquidity situation and alternative options considered and the material provisions of the Units. The IRC, among other things, also considered the matters identified above under "Background to the Transaction" and "Reasons for the Transaction" and potential conflicts of interest that may arise with the management of the Fund. The IRC concluded, after reasonable enquiry, that the Transaction achieves a fair and reasonable result for the Fund.

The foregoing discussion of the information and factors considered and given weight by the IRC is not intended to be exhaustive. In reaching its determination, the IRC did not assign any relative or specific weight to each factor.

For a description of the IRC, see "Information Concerning the Fund – Management – Independent Review Committee".

**Recommendation of the Board of Directors**

**The Board of Directors has unanimously concluded that, in its opinion, the Transaction is fair and reasonable and in the best interests of the Fund and the Shareholders and recommends that Shareholders vote in favour of the Transaction Resolution at the Meeting.**

The primary benefits of the Transaction identified by the Board in coming to this decision included those set out above under "Reasons for the Transaction".

Each member of the Board who is also a Class A Shareholder or Class L Shareholder intends to vote all Shares, directly or indirectly, held or controlled by him or her in favour of the Transaction Resolution. As at February 14, 2014, the directors and officers of the Fund beneficially owned, directly or indirectly, or exercised control or direction over, an aggregate of 6,689 Class A Shares and 209,694 Class L Shares, representing approximately 0.60% of the issued and outstanding Class A Shares and 9.98% of the issued and outstanding Class L Shares, respectively.

**Transaction Steps**

The following summary describes certain material elements of the Transaction and is subject to, and qualified in its entirety by reference to, the proposed asset purchase agreement, a copy of which is attached as Appendix "E". This summary and certain capitalized terms referred to in this summary do not contain all of the information about the proposed asset purchase agreement. Shareholders should read the proposed asset purchase agreement carefully and in its entirety, as the rights and obligations of the parties will be governed by the express terms of the asset purchase agreement and not by this summary or any other information contained in this Circular. The Fund expects to enter into an asset purchase agreement substantially in the form of the agreement set out in Appendix "E" hereto. There can be no assurance that the Transaction will be completed.

The Transaction is currently expected to become effective on or about May 30, 2014. On the Effective Date, each of the events below will, except as otherwise expressly provided in this Circular, occur as set forth below:

a) the Articles Amendment will be executed;

b) the Fund will purchase for cancellation for fair value the Class A Shares and Class L Shares held by Dissenting Shareholders;

c) the Limited Partnership will acquire all of the assets of the Fund (other than liquid assets needed to satisfy all liabilities, including payments to Dissenting Shareholders), in consideration for the appropriate number of Units;

d) except for those held by Dissenting Shareholders, each issued and outstanding Class A Share and Class L Share will be redeemed by the Fund in consideration for Units as described below; and

e) each Class A Shareholder and Class L Shareholder (other than Dissenting Shareholders) will receive a specified number of Units based on the Exchange Ratio. New Units of the Limited Partnership will have a deemed issue price of $14.00.

No fractional Units will be issued pursuant to the Transaction, and the number of such Units to be issued shall be rounded down to the next whole number. The Units will have the attributes, management arrangements, investment strategies, and fees and charges as set out in this Circular and the Limited Partnership Agreement.

The number of Units to be issued to the Fund will be determined by reference to the NAV of the Fund on a per series basis, relative to the deemed issue price per Unit of $14.00.

Each Class A Shareholder and Class L Shareholder will receive an equivalent value of Units in payment for the redemption price for the Class A Shares and Class L Shares held by that Shareholder on the Effective Date. To determine how many Units a Class A Shareholder or Class L Shareholder will be entitled to receive, the Fund will determine what the Exchange Ratio is based on the number of Class A Shares or Class L Shares held, the Net Asset Value of the applicable series of shares and such figure will be divided by the deemed issue price per Unit of $14.00. The calculation will be completed as follows:

A – Number of Class A Shares or Class L Shares held on the Effective Date;

B – Net Asset Value per share of the applicable series of Class A Shares or Class L Shares on the Valuation Date immediately preceding the Effective Date; and

C – The amount of any dividends declared on the applicable series of Class A Shares or Class L Shares that remain unpaid on the Business Day immediately preceding the Effective Date

$$\text{Number of Units} = A \times (B + C) / \$14.00$$

The following is an example of the calculation of the number of Units of the Limited Partnership a Class A Shareholder could receive pursuant to the Transaction.

For instance, a shareholder who acquired 100 Class A Shares, Series I and holds the 100 shares on the Effective Date will be entitled to receive 69 Units, assuming a Net Asset Value of $9.75 for the Class A Shares, Series I on the Valuation Date immediately preceding the Effective Date and (B) and no unpaid dividends as follows:

$$100 \times (\$9.75) / \$14.00 = 69 \text{ Units}$$

The Exchange Ratio is subject to any adjustment necessary to account for any proceeds to be paid under any Dissent Rights.

The Fund will waive any redemption fees otherwise payable in connection with the redemption of Shares. After the Fund redeems all of its Class A Shares and Class L Shares, the Class B Share and Class P Shares will be the only outstanding shares of the Fund. After all ancillary steps to complete the transfer of assets have been taken, the Fund will be wound up and dissolved pursuant to applicable corporate law. The Fund will have filed the Articles Amendment to implement the redemption prior to the transfer of its assets to the Limited Partnership.

As of the Effective Date, the venture investment assets of the Fund will form the initial portfolio of the Limited Partnership, acquired at the values established in the Transaction.

**Limited Partnership Agreement**

The acceptance by the General Partner of a Shareholder's purchase of Units (made in connection with the implementation of the Transaction), whether in whole or in part, will constitute a purchase agreement between the former Shareholder and the Limited Partnership, upon the terms and conditions set out in this Circular, which shall be evidenced by delivery of a confirmation of purchase of Units, provided that the purchase has been accepted by

the General Partner on behalf of the Limited Partnership. Joint purchases of Units will be accepted. Upon such acceptance by the General Partner, the former Shareholder ("**Purchaser**") will be a party to, and will be bound by, all of the terms of the Limited Partnership Agreement, and will authorize the General Partner to sign the Limited Partnership Agreement as attorney on behalf of such person. Pursuant to the Limited Partnership Agreement, each Purchaser, among other things:

(a) consents to the disclosure of certain information to, and the collection and use by, the General Partner and its service providers, including such Purchaser's full name, residential address or address for service, social insurance number or the corporation account number, as the case may be, for the purpose of administering such Purchaser's purchase of Units;

(b) acknowledges that the Purchaser is bound by the terms of the Limited Partnership Agreement and is liable for all obligations of a Limited Partner;

(c) makes or is deemed to make the representations and warranties set out in the Limited Partnership Agreement, including, without limitation, representations and warranties that he, she or it:

(i) is not a "non-resident" for the purposes of the Tax Act or an entity an interest in which is a "tax shelter investment" for purposes of the Tax Act or a "non-Canadian" within the meaning of the *Investment Canada Act*;

(ii) is not a partnership, or in the case that it is a partnership, it is a "Canadian partnership" for purposes of the Tax Act;

(iii) has not financed the acquisition of the Units with borrowings for which recourse is, or deemed to be, limited for purposes of the Tax Act;

(iv) is not a "financial institution" as that term is defined in subsection 142.2(1) of the Tax Act unless such prospective purchaser has provided written notice to the contrary to the Limited Partnership prior the date of acceptance of the prospective purchaser's subscription for Units;

(v) will deal at "arm's length" with the Limited Partnership for purposes of the Tax Act;

(vi) will promptly, upon request of the General Partner, execute and return a completed CRA Form NR301 or such other document as to tax status as requested by the General Partner; and

(vii) will maintain the status set out in this paragraph (c) during such time as the Units are held and will not transfer Units in a manner that would not conform to the Limited Partnership Agreement;

(d) irrevocably nominates, constitutes and appoints the General Partner as its true and lawful attorney with full power and authority as set out in the Limited Partnership Agreement;

(e) authorizes the General Partner to implement the dissolution of the Limited Partnership as set out in the Limited Partnership Agreement and to file on his, her or its behalf all elections under applicable tax legislation in respect of the dissolution of the Limited Partnership; and

(f) covenants and agrees that all documents executed and other actions taken on behalf of the Limited Partners pursuant to the power of attorney set out in the Limited Partnership Agreement will be binding upon such Purchaser, and each Purchaser agrees to ratify any of such documents or actions upon request by the General Partner.

To the extent Shares are held in the name of a broker, dealer or other intermediary, each Shareholder must confirm compliance with the representations and warranties set out above as required. In the event the General Partner determines that Units have been issued to one or more persons described above and such Units are not redeemed or sold to a person qualified to hold Units, such Units will be deemed to be void ab initio and deemed never to have been issued (and such person will only be entitled to the fair value of their Units as of the original purchase date). The Limited Partnership Agreement entered into and attached to this Circular as Appendix "G" may be amended as set forth therein by the General Partner prior to or subsequent to the implementation of the Transaction.

**Shareholder Approvals**

The Transaction Resolution is required to be approved by not less than two-thirds of the votes cast by Class A Shareholders, Class L Shareholders, Class B Shareholder and Class P Shareholders, each voting as a Class, voting in person or by proxy at the Meeting. Notwithstanding the foregoing, the Transaction Resolution authorizes the Board, without further notice to or approval of the Shareholders, to decide not to proceed with the Transaction or to revoke the Transaction Resolution at any time prior to the Transaction becoming effective.

See Appendix "A" to this Circular for the full text of the Transaction Resolution.

The Transaction will trigger dissent rights. These are described in this Circular under the heading "Dissenting Shareholders' Rights".

The Sponsor, as holder of the Fund's Class B Share, and the Manager and the Management Advisor, as holder of the Fund's Class P Shares, have indicated their intention to vote in favour of the Transaction.

As a newly formed limited partnership, it is not anticipated that approvals will be required from the existing limited partners of the Limited Partnership; however, the Initial Limited Partner will approve the Transaction, if required. The General Partner has approved the Transaction and the execution, delivery and performance of an asset purchase agreement substantially in the form of the agreement attached hereto as Appendix "E".

**Regulatory and Third Party Approvals**

Completion of the Transaction is subject to the Fund obtaining various third party and regulatory consents, exemptions and approvals. The Fund must obtain the approval of the Ontario Securities Commission in connection with the transfer of the Fund's investee companies to the Limited Partnership. The completion of the Transaction may require the consent or approval of, exemption from, or notification to, other various regulatory authorities.

**Stock Exchange Listing**

It is a condition to completion of the Transaction that the CSE shall have conditionally approved the listing of the Units. It is anticipated that an application will be made to the CSE for conditional approval of the listing of the Units, subject to the Limited Partnership fulfilling the requirements of the CSE, including distribution of the Units to a minimum number of public security holders. There can be no assurance that a listing on the CSE will be obtained.

**Conditions Precedent to the Transaction**

Prior to and through to the Effective Date, a series of transactions will occur in order to complete the Transaction. The completion of these transactions will be subject to a number of conditions, which must be satisfied (or otherwise waived by the Fund) on or before the Effective Date. These conditions include, without limitation:

a) the Transaction Resolution shall have been approved by not less than two-thirds of the votes cast by each of the Class A Shareholders, the Class L Shareholders, the Class B Shareholder and the Class P Shareholders, voting as separate classes, in person or by proxy, at the Meeting, in accordance with the provisions of any applicable regulatory requirements;

b) all necessary third party and other consents, orders, rulings, approvals, opinions and assurances, including regulatory, governmental, judicial, third party and advisor opinions, approvals and orders, required for the completion of the transactions provided for in the Transaction shall have been obtained or received;

c) no material action shall have been instituted and be continuing on the Effective Date for an injunction to restrain, a declaratory judgment in respect of, or damages on account of, or relating to, the Transaction, there shall not be in force any order or decree restraining or enjoining the consummation of the transactions contemplated by the Transaction and no cease trading or similar order with respect to any securities of the Fund or the Limited Partnership shall have been issued and remain outstanding;

d) none of the consents, orders, rulings, decisions, approvals, opinions or assurances required for the implementation of the Transaction shall contain terms or conditions or require undertakings or security deemed unsatisfactory or unacceptable by the Fund, acting reasonably;

e) no law, regulation or policy shall have been proposed, enacted, promulgated or applied which interferes or is inconsistent with the completion of the Transaction, including any material change to the income tax laws of Canada, or any province or territory thereof, or which would have a material adverse effect upon Shareholders if the Transaction is completed;

f) the conditional approval of the CSE of the listing of the new Units to be issued in connection with the Transaction shall have been obtained, subject only to the filing of required documents which cannot be filed prior to the Effective Date; and

g) Shareholders holding no more than 10% of the outstanding Shares have exercised their Dissent Rights that have not been withdrawn as of the Effective Date as described under "Dissenting Shareholders' Rights".

The Fund may waive the satisfaction of any of the foregoing conditions. Notwithstanding the foregoing, the Transaction Resolution proposed for consideration by the Shareholders authorizes the Board, without further notice to, or approval of, such Shareholders, to decide not to proceed with the Transaction or to revoke the Transaction Resolution at any time prior to the Transaction becoming effective. See Appendix "A" for the text of the Transaction Resolution.

**Timing**

If the Meeting is held and the requisite Shareholder approval obtained, and the other necessary conditions at that point in time are satisfied or waived, the Fund expects the Effective Date will be on or about May 30, 2014. It is not possible, however, to state with certainty when the Effective Date will occur.

**Procedure for Receipt of New Units**

As some of the Shares are represented by a physical certificate, holders are required to deliver any certificates in order to receive their Units following completion of the Transaction. All registered Shareholders, regardless of whether they are planning to vote in favour of the Transaction, should return the Letter of Transmittal. **The Letter of Transmittal contains certain representations and warranties as described under "Limited Partnership Agreement", including that the Shareholder is not a non-resident of Canada for the purposes of the Tax Act. Shareholders who do not deliver a duly completed Letter of Transmittal by the deadline set out therein will be deemed to have made the representations and warranties to the Fund and the Limited Partnership as set out in the Letter of Transmittal and as described under "Limited Partnership Agreement".**

Whether or not Shareholders forward the certificates representing their Shares, upon completion of the Transaction on the Effective Date, Class A Shareholders and Class L Shareholders will cease to be shareholders of the Fund as of the Effective Date and will only be entitled to receive Units as described herein (or, in the case of Shareholders who properly exercise Dissent Rights, the right to receive fair value for their Shares in accordance with the Dissent Procedure.)

Class A Shareholders and Class L Shareholders are expected to receive confirmation of the number of Units received in the Transaction from the dealer of record or B.E.S.T. Investment Counsel Limited.

It is expected that trading in the Units will commence on the Effective Date. No certificates representing the Units will be issued other than in exceptional circumstances. The Limited Partnership may send or cause to be sent to the former registered holders of Class A Shares or Class L Shares, as applicable, either a direct registration statement or certificate(s) evidencing the issuance of Units.

**Shareholders whose Shares are registered in the name of a broker, dealer, bank, trust company or other nominee must contact their nominee for information about how the exchange of their Shares will be effected and to complete the Letter of Transmittal.**

The use of the mail to transmit the Letter of Transmittal is at each Shareholder's own risk. The Fund recommends that such documents be delivered by hand to the Fund and a receipt therefor be obtained or that registered mail be used if certificates accompany the Letter of Transmittal.

If the Letter of Transmittal is executed by a person other than the registered holder(s) of the Shares, the signature on the Letter of Transmittal must be medallion guaranteed by an eligible institution, which includes a Canadian Schedule I chartered bank, a major trust company in Canada, a member of the Securities Transfer Agent Medallion Program (STAMP) or a member of the Stock Exchanges Medallion Program (SEMP); members of these programs are usually members of a recognized stock exchange in Canada or in the United States, members of the Investment Industry Regulatory Organization of Canada, or members of the Financial Industry Regulatory Authority, or as is otherwise acceptable to the Manager.

The Fund will be entitled to deduct and withhold from any consideration otherwise payable to a Shareholder such amounts as the Fund is required or permitted to deduct and withhold with respect to such payment under applicable laws.

*Shareholders Holding Shares in an Account at a Mutual Fund Dealer*

The activities of mutual fund dealers are subject to the oversight of the Mutual Fund Dealers Association of Canada and the various provincial securities commissions. As the Units will not be units of an investment fund, **all investors that hold Shares through the facilities of a mutual fund dealer or in a BEST registered retirement savings plan should contact their investment representative as soon as possible in order to transfer the account to a registered investment dealer to facilitate the receipt of Units if the Transaction proceeds.** If such action is not taken prior to the Transaction becoming effective, you may have difficulty trading Units or receiving up to date account information with respect to your holdings. **In any event, if you are returning certificates you must contact your dealer to complete the Letter of Transmittal.**

*Shares Held in a BEST RRSP*

At present, the Fund offers its investors the option of holding their Shares in an RRSP. The trustee for this RRSP is a Canadian Schedule I chartered bank. These RRSP accounts exist exclusively for the purpose of investing in the Shares. On the Effective Date, the Shares held on behalf of each participant in the Fund in such RRSP will be changed for Units of the Limited Partnership.

**Expenses of the Transaction**

The costs associated with the Transaction for the Fund and the Limited Partnership will be paid by the Manager.

**Securities Law Matters**

The Units issued pursuant to the Transaction will be issued or transferred in reliance on exemptions from prospectus requirements of applicable Canadian securities laws. Upon completion of the Transaction, the Units will generally be "freely tradeable" (other than as a result of any "control block" restrictions which may arise by virtue of the

ownership thereof) under applicable securities laws of Canada. Resale of the Units is subject to the further restrictions of the Limited Partnership Agreement.

**If the Transaction is Not Approved**

In the event the necessary Shareholders' approval for the Transaction Resolution is not obtained or any other condition precedent to the Transaction is not satisfied or waived, the Transaction will not proceed, and the Manager will continue to manage the Fund as a Labour Sponsored Investment Fund Corporation and continue to examine potential alternative transactions with a view to the best interests of the Fund and the Shareholders.

**Dissenting Shareholders' Rights**

Section 190 of the CBCA provides that shareholders of a corporation entitled to vote on certain matters are entitled to exercise dissent rights and to be paid the fair value of their shares in connection therewith. Class A Shareholders and Class L Shareholders have a right to dissent with respect to the Transaction Resolution. **The following is a summary only of the rights of dissent and appraisal. These provisions are technical and complex. Any Class A Shareholder or Class L Shareholder who wishes to exercise his, her or its Dissent Rights should consult a legal advisor. Failure to provide the Fund by personal delivery, courier or mail with a Dissent Notice prior to or at the Meeting, or any adjournment thereof, and to strictly comply with the requirements of Section 190 of the CBCA may prejudice a Class A Shareholder's or Class L Shareholder's ability to exercise its Dissent Rights.** The following is qualified in its entirety by the full text of section 190 of the CBCA, a copy of which is attached as Appendix "C" to this Circular.

Shareholders are reminded that if the Class A Shares are redeemed or disposed of prior to the eighth anniversary of their purchase, shareholders are generally subject to taxes equal to all or a portion of the federal and provincial tax credits received on the purchase of those shares and may be required to pay early redemption fees.

Class A Shares and Class L Shares held by Dissenting Shareholders who are ultimately not entitled, for any reason, to be paid "fair value" for such shares may be deemed to have been exchanged for Units pursuant to the redemption contemplated by the Transaction on the same basis as any non-Dissenting Shareholder of the Fund.

In the event the special resolution approving the Transaction set out in Appendix "A" is passed, any registered shareholder who dissents to the Transaction Resolution in accordance with section 190 of the CBCA will be entitled to be paid by the Fund the fair value of the shares held by such dissenting shareholder determined as of the close of business on the day before the Transaction Resolution is passed.

Section 190 of the CBCA provides that a shareholder may only make a claim under that section with respect to all the shares of a class held by the shareholder on behalf of any one beneficial owner and registered in the shareholder's name. One consequence of this provision is that a holder of shares may only exercise the right to dissent under section 190 of the CBCA in respect of shares which are registered in that holder's name.

In many cases, Shares beneficially owned by a person (a "**Non-Registered Holder**") are registered either: (i) in the name of an intermediary that the Non-Registered Holder deals with in respect of the Shares (such as banks, trust companies, securities dealers and brokers, trustees or administrators of self-administered RRSPs or RRIFs and their nominees); or (ii) in the name of a clearing agency. Accordingly, a Non-Registered Holder will not be entitled to exercise the right to dissent under section 190 directly (unless the Shares are re-registered in the Non-Registered Holder's name). A Non-Registered Holder who wishes to exercise the right to dissent should immediately contact the intermediary who the Non-Registered Holder deals with in respect of the Shares and either: (i) instruct the intermediary to exercise the right to dissent on the Non-Registered Holder's behalf; or (ii) instruct the intermediary to re-register the Shares in the name of the Non-Registered Holder, in which case the Non-Registered Holder would have to exercise the right to dissent directly.

A registered Shareholder who wishes to dissent must provide the Fund prior to or at the Meeting as specified above with a written objection to the Transaction Resolution. The filing of a written objection does not deprive a Shareholder of the right to vote at the Meeting. However, the CBCA provides, in effect, that a Shareholder who has submitted a written objection and who votes in favour of the Transaction Resolution will no longer be considered a

Dissenting Shareholder with respect to that class or series of Shares voted in favour of the Transaction Resolution. To dissent, therefore, you must not vote for the Transaction Resolution referred to in Appendix "A". The CBCA does not provide, and the Fund will not assume, that a vote against the Transaction Resolution or an abstention constitutes a written objection. Similarly, the revocation of a proxy conferring authority on the proxy holder to vote in favour of the Transaction Resolution does not constitute a written objection. However, any proxy granted by a Shareholder who intends to dissent, other than a proxy that instructs the proxy holder to vote against the Transaction Resolution, should be validly revoked in order to prevent the proxy holder from voting such Shares in favour of the Transaction Resolution and thereby causing the Shareholder to forfeit his or her right to dissent.

The Fund is required, within ten days after the Shareholders adopt the Transaction Resolution, to notify each Dissenting Shareholder that the Transaction Resolution has been adopted, but such notification is not required to be sent to any Shareholder who voted for the resolution or who has withdrawn his or her written objection. A Dissenting Shareholder must then, within 20 days after receipt of notice that the Transaction Resolution has been adopted or, if the Dissenting Shareholder does not receive such notice, within 20 days after he or she learns that the Transaction Resolution has been adopted, send to the Fund a written notice containing his or her name and address, the number and class of Shares in respect of which he or she dissents, and a demand for payment of the fair value of such Shares. Within 30 days after sending such written notice, the Dissenting Shareholder must send to the Fund the certificates representing the Shares in respect of which he or she dissents. A Dissenting Shareholder who fails to send certificates representing the Shares in respect of which he or she dissents forfeits his or her right to dissent. The Fund will endorse on any share certificate received from a Dissenting Shareholder a notice that the holder is a Dissenting Shareholder and will forthwith return the share certificates to the Dissenting Shareholder.

After sending a written notice of demand for payment, a Dissenting Shareholder ceases to have any rights as a holder of the Shares in respect of which the Shareholder has dissented other than the right to be paid the fair value of such Shares as determined under section 190 of the CBCA, unless certain circumstances exist, including that (i) the Dissenting Shareholder withdraws the written notice of demand for payment before the Fund makes an offer to pay, or (ii) the Fund fails to make a timely offer to pay to the Dissenting Shareholder and the Dissenting Shareholder withdraws his or her demand for payment, in each of which cases the Dissenting Shareholder's rights as a Shareholder will be reinstated as of the date the Dissenting Shareholder sent written notice of the demand for payment.

The Fund is required, not later than seven days after the later of the day on which the action approved by the resolution is effective and the date on which the Fund receives a written notice of demand for payment from a Dissenting Shareholder, to send such Dissenting Shareholder a written offer to pay for his or her Shares in an amount considered by the Board to be the fair value thereof, accompanied by a statement showing the manner in which such fair value was determined, or a notification that it is unable to pay the Dissenting Shareholder for his or her Shares because the Fund is or would after the payment be unable to pay its liabilities as they become due, or the realizable value of the Fund's assets would thereby be less than the aggregate of its liabilities. Every offer to pay for Shares of the same class or series must be on the same terms. The Fund must pay for the Shares of a Dissenting Shareholder within ten days after an offer to pay has been accepted by such Dissenting Shareholder, but any such offer lapses if the Fund does not receive an acceptance thereof within 30 days after the offer to pay has been made.

If the Fund fails to make an offer to pay for a Dissenting Shareholder's Shares, or if a Dissenting Shareholder fails to accept an offer which has been made, the Fund may, within 50 days after the action approved by the resolution is effective or within such further period as a court may allow, apply to a court of competent jurisdiction (the "court"), to fix a fair value for the Shares of Dissenting Shareholders. If the Fund fails to apply to the court, a Dissenting Shareholder may apply to the court for the same purpose within a further period of 20 days or within such further period as the court may allow. A Dissenting Shareholder is not required to give security for costs in such an application.

Upon an application to the court, all Dissenting Shareholders whose Shares have not been purchased will be joined as parties and bound by the decision of the court, and the Fund will be required to notify each affected Dissenting Shareholder of the date, place and consequences of the application and of his or her right to appear and be heard in person or by counsel. Upon any such application to the court, the court may determine whether any person is a Dissenting Shareholder who should be joined as a party, and the court will then fix a fair value for the Shares of all Dissenting Shareholders. The final order of the court will be rendered against the Fund in favour of each Dissenting

Shareholder and for the amount of the fair value of his or her Shares as fixed by the court. The court may, in its discretion, allow a reasonable rate of interest on the amount payable to each Dissenting Shareholder from the date the action approved by the resolution is effective until the date of payment.

The foregoing is only a summary of the Dissenting Shareholder provisions of the CBCA, which are technical and complex. It is recommended that any Shareholder wishing to avail himself or herself of his or her dissent rights under those provisions seek legal advice, as failure to comply strictly with the provisions of the CBCA may prejudice his or her right to dissent.

**Effect of the Transaction**

After giving effect to the Transaction:

a) Shareholders will own 99.999% all of the issued and outstanding Units; and

b) the Fund will be wound up in the ordinary course.

**THE ACCEPTANCE BY THE GENERAL PARTNER (ON BEHALF OF THE LIMITED PARTNERSHIP) OF A SUBSCRIBER'S PURCHASE OF UNITS PURSUANT TO THE TRANSACTION, WHETHER IN WHOLE OR IN PART, CONSTITUTES A PURCHASE AGREEMENT BETWEEN THE PURCHASER AND THE LIMITED PARTNERSHIP, UPON THE TERMS AND CONDITIONS SET OUT IN THIS CIRCULAR AND THE LIMITED PARTNERSHIP AGREEMENT**.

The foregoing purchase agreement shall be evidenced by delivery of a confirmation of purchase to the former Shareholder provided that the purchase has been accepted by the General Partner on behalf of the Limited Partnership. Joint purchases of Units will be accepted.

Pursuant to the Limited Partnership Agreement, each Shareholder becoming a Limited Partner will thereby, among other things, make the representations, warranties and covenants set out above under "Limited Partnership Agreement".

**Certain Canadian Federal Income Tax Considerations**

*Introduction*

The following summary presents fairly as of the date hereof certain of the principal Canadian federal income tax considerations of the Transaction generally applicable to Class A Shareholders and Class L Shareholders who, for the purposes of the Tax Act and at all relevant times, are individuals (other than trusts) resident in Canada, hold their Shares as capital property, and deal at arm's length with and are not affiliated with the Fund or the Limited Partnership. Generally, Class A Shares and Class L Shares will be capital property to the holder thereof unless the holder is a trader or dealer in securities or has acquired the Class A Shares or Class L Shares as part of an adventure or concern in the nature of trade.

This summary is based on the current provisions of the Tax Act, the current administrative and assessing practices of the CRA publicly released prior to the date hereof, and specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof ("**Tax Proposals**"), but does not take into account or anticipate any other changes in law, whether by judicial, governmental or legislative action. This summary assumes that the Tax Proposals will be enacted as proposed; however, no assurance can be provided that the Tax Proposals will be enacted in the form currently proposed or at all. This summary does not address foreign, provincial or any other tax legislation or considerations.

**This summary is of a general nature only and does not address all possible tax considerations. This summary is not intended to be, nor should it be construed to be, legal or tax advice to any particular Shareholder. Shareholders should consult their own tax advisors with respect to their individual circumstances.**

*Status of the Fund*

The Fund is registered as a "labour sponsored investment fund corporation" under the Ontario Act and, as a result of such registration, is a prescribed labour-sponsored venture capital corporation under the Tax Act. This summary assumes that the Fund is registered and qualifies as a labour sponsored investment fund corporation under the Ontario Act and will continue to be so registered and qualified hereafter on a continuous basis at all material times.

As a prescribed labour-sponsored venture capital corporation, the Fund is a "mutual fund corporation" for the purposes of the Tax Act, provided the Fund cannot reasonably be considered to have been established or maintained primarily for the benefit of non-resident persons. This summary is based on the assumptions that the Fund is, and at all material times will be, a "mutual fund corporation" and a registered "labour sponsored investment fund corporation" for the purposes of the Tax Act and the Ontario Act and has not been established and will not be maintained primarily for the benefit of non-resident persons. If the Fund were not to qualify as a mutual fund corporation and a labour sponsored investment fund corporation at all times, the income tax considerations described in this summary would, in some respects, be materially different.

As a result of the Plan of Arrangement, the Fund ceased to be a "private corporation" and became a "public corporation" for purposes of the Tax Act.

***Taxation of the Fund***

As a corporation resident in Canada, the Fund is required to calculate its income or loss for each taxation year, file income tax returns, and is generally subject to tax at applicable corporate rates.

*Interest and Other Investment Income*

Interest and investment income, other than certain dividends received in respect of shares of taxable Canadian corporations, is required to be included in calculating the Fund's income subject to tax.

*Capital Gains and Losses*

The Fund has elected, in accordance with the Tax Act, to have each of its "Canadian securities" (as defined in subsection 39(6) the Tax Act) treated as capital property. Such an election is intended to ensure that gains or losses realized by the Fund on the sale of "Canadian securities" are treated as capital gains or capital losses.

When the Fund sells or otherwise disposes of a capital property, the Fund will realize a capital gain to the extent that the proceeds of disposition exceed the Fund's adjusted cost base of the property and the Fund's reasonable costs of disposition. If the proceeds of disposition are less than the adjusted cost base of the property, a capital loss will, subject to the application of certain "stop-loss" rules in the Tax Act, generally result. In certain circumstances, a capital loss which arises in respect of a share disposed of by the Fund may be reduced by the amount of any dividends, including deemed dividends, which have been received by the Fund on such a share.

One-half of any realized capital gain or capital loss will be the Fund's taxable capital gain or allowable capital loss, as the case may be. The Fund's taxable capital gains for a year, net of any allowable capital losses, will be included in computing the Fund's income for tax purposes. Allowable capital losses in excess of taxable capital gains for a particular year may generally be carried back three years and carried forward indefinitely for deduction against taxable capital gains realized in those years. In certain circumstances, special anti-avoidance or "stop loss" rules under the Tax Act may apply to restrict the deduction of capital losses that might otherwise be available for deduction. As a mutual fund corporation, the Fund will generally be entitled to refunds in accordance with the provisions of the Tax Act on a formula basis with respect to tax paid by it on net taxable capital gains if it pays or is deemed to have paid capital gains dividends or redeems Class A Shares as discussed below.

*Dividend Refunds and Capitalization of Capital Gains*

Subject to securing the requisite Shareholder approval, the Fund intends to periodically increase the stated capital in respect of its Class A Shares and Class L Shares to trigger sufficient deemed dividends that it may elect to be treated

as capital gains dividends in order to maximize the amount of "capital gains refunds" (as defined for the purposes of the Tax Act) to which the Fund is entitled in respect of a particular taxation year. In instances when the Fund increases the stated capital in respect of its Class A Shares and Class L Shares, the "paid-up capital" in respect of such Shares (for the purposes of the Tax Act) will also generally be considered to have been increased by equivalent amounts, and the Fund will generally be deemed to have paid dividends on its then issued and outstanding Class A Shares or Class L Shares equal to the amount added to the stated capital of the Class A Shares or Class L Shares, and each holder of Class A Shares or Class L Shares will, provided the Fund validly elects in respect of the full amount of such dividends within the period prescribed by the Tax Act, be deemed to have received a "capital gains dividend" equal to the holder's proportionate share thereof (provided such dividend does not exceed the applicable portion of the Fund's "capital dividend account" at the relevant time) even though the holder will not receive a cash distribution from the Fund. The payment of "capital gains dividends" by the Fund in a particular taxation year may entitle the Fund to claim a refund of tax computed on the basis of, among other things, taxed capital gains earned by the Fund.

***Tax Consequences to the Fund of the Transaction***

For the purposes of this summary, it has been assumed that all of the property of the Fund that is disposed of to the Limited Partnership in the course the Transaction will consist solely of capital property for the purposes of the Tax Act.

As a result of the Transaction, the Fund will dispose of all or substantially all of its property for proceeds of disposition equal to the fair market value of the Units received by the Fund in return for its property. It is expected that the adjusted cost base of the Units received by the Fund in exchange for the disposition of its property will equal the fair market value of the Units at the time such Units are received by the Fund.

In respect of the taxation year in which the Transaction occurs, the Fund will generally be required to include, in computing its income, as interest, the amount of interest that has accrued but has not been paid in respect of indebtedness transferred by the Fund to the Limited Partnership (the "**Accrued Interest Amount**"). The Accrued Interest Amount will be excluded from the proceeds of disposition of such indebtedness when computing the capital gain (loss) otherwise arising on the disposition of the indebtedness to the Limited Partnership.

On the transfer of property to the Limited Partnership, the Fund will realize a capital gain (or, subject to the application of certain "stop loss" rules in the Tax Act, a capital loss) to the extent its proceeds of disposition in respect of each property exceed (or are less than) the adjusted cost base of such property and any reasonable costs of disposition related to the transfer of the property. One–half of any capital gains ("**taxable capital gains**") will be included in the income of the Fund and taxed at the Fund's ordinary combined federal and provincial tax rate. Any allowable capital losses realized in prior tax years can generally be used to offset any taxable capital gains realized on the Transaction, subject to and in accordance with the rules under the Tax Act.

Pursuant to certain "stop loss" rules in the Tax Act, capital losses that may have otherwise arise on the disposition of property by the Fund to the Limited Partnership may be suspended and may not be permitted to be deducted in computing income until a later time.

The Fund will dispose of the Units to holders on the redemption of Class A Shares and Class L Shares as part of the Transaction and will realize a capital gain (or capital loss) to the extent the fair market value of the Units exceeds (or are less than) the adjusted cost base to the Fund of the Units. It is expected that the fair market value of the Units will be substantially equal to their adjusted cost base at the time of their disposition and, therefore, no material capital gain or capital loss will arise on the disposition by the Fund of the Units.

By virtue of the transfer of property as part of the Transaction, the Fund may have taxable income in the year in which the Transaction occurs that materially exceeds any capital gains refund that the Fund is entitled to claim in respect of the year.

***Taxation of Class A Shareholders and Class L Shareholders***

*Dividends*

Dividends (other than capital gains dividends) paid on Class A Shares or Class L Shares and received or deemed to be received by an individual will be included in computing the individual's income, subject to the gross-up and dividend tax credit rules in the Tax Act applicable to dividends from taxable Canadian corporations. The amount of a "capital gains dividend" received or deemed to be received by an individual who holds Class A Shares or Class L Shares will be deemed to be a capital gain of the holder from a disposition of capital property for the year in which the dividend is received. One-half of the amount of a capital gains dividend will be included in the holder's income as a taxable capital gain for the purposes of the Tax Act.

If and to the extent that the Fund increases the "paid-up capital" of the Class A Shares or Class L Shares and validly elects to treat the resulting dividend as a capital gains dividend, as discussed above under the heading "Taxation of the Fund – Dividend Refunds and Capitalization of Capital Gains", an individual who holds Class A Shares or Class L Shares will be deemed to have received a capital gains dividend equal to the amount of the "paid-up capital" increase in respect of his or her Class A Shares or Class L Shares. The deemed dividend will be subject to the treatment generally applicable to capital gains dividends paid on the Class A Shares or Class L Shares, including the requirement to recognize the amount of such capital gains dividends received in the year as a deemed capital gain from the disposition of capital property in the year for purposes of the Tax Act. The adjusted cost base of the holder's Class A Shares and Class L Shares will be increased by the amount of the deemed dividend.

A holder of a Class A Share or Class L Share will not receive any cash distribution in respect of a deemed capital gains dividend. Accordingly, an individual holder may be liable to pay tax in respect of such deemed dividend even though the holder will not have received a cash distribution from the Fund with which to pay the tax.

*Disposition of Class A Shares or Class L Shares*

In general, a disposition or a deemed disposition of a Class A Share or Class L Share will give rise to a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition of the Class A Share or Class L Share, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Class A Share or Class L Share to the holder thereof. In calculating a holder's gain or loss, the cost to the holder of a particular Class A Share or Class L Share will be determined by averaging the cost of that Class A Share or Class L Share with the adjusted cost base of all Class A Shares of the same series or Class L Shares of the same series, as applicable, held at that time by the holder. A holder's adjusted cost base of a Class A Share or Class L Share will generally be increased by the amount of any deemed capital gains dividend arising as a result of an increase of the "paid-up capital" in respect of the relevant Shares as described above under the heading "Taxation of the Fund – Dividend Refunds and Capitalization of Capital Gains".

A capital loss that would otherwise arise on the disposition of a Class A Share will be reduced by the amount of the Federal Tax Credit and any applicable Ontario Tax Credit received in respect of the Class A Share by the holder of the Class A Share (or by a person with whom the holder does not deal at arm's length) to the extent that the amount of such tax credit has not previously reduced a capital loss in respect of the Class A Share.

One-half of any capital gain or capital loss will be the holder's taxable capital gain or allowable capital loss, as the case may be. Taxable capital gains must be included in computing the holder's income. Allowable capital losses in excess of taxable capital gains for a particular year may generally be carried back three years and carried forward indefinitely for deduction against taxable capital gains realized in those years.

*Redemption of Class A Shares or Class L Shares for Units*

As a result of the redemption of the Class A Shares and Class L Shares of the Fund in the Transaction, Shareholders will dispose of such Class A Shares and Class L Shares on the redemption for proceeds of disposition equal to the fair market value of the Units received on the redemption of the holder's Class A Shares or Class L Shares of the Fund.

To the extent such proceeds of disposition exceed (or are less than) the adjusted cost base of the relevant Class A Shares or Class L Shares of the Fund to the holder, such holder will realize a capital gain (or capital loss). One-half of any capital gain from the disposition of the Class A Shares and Class L Shares of the Fund must be included in computing the taxable income of a holder ("**taxable capital gains**"). Allowable capital losses from previous taxation years may be carried forward to offset any taxable capital gains realized on the Transaction subject to, and in accordance with, the provisions of the Tax Act. One–half of the capital loss from the disposition of the Class A Shares and Class L Shares of the Fund, less certain reductions provided under the Tax Act, may be deducted from taxable capital gains realized from the disposition of capital property in the year or in any of the three preceding years or in any following year to the extent and under the circumstances described under the Tax Act.

A capital loss that would otherwise arise on the disposition of a Class A Share will be reduced by the amount of the Federal Tax Credit and any applicable Ontario Tax Credit received in respect of the Class A Share by the holder of the Class A Share (or by a person with whom the holder does not deal at arm's length) to the extent that the amount of such tax credit has not previously reduced a capital loss in respect of the Class A Share.

A holder receiving Units on the redemption of that holder's Class A Shares or Class L Shares will have an adjusted cost base of those Units equal to their fair market value at the time of receipt, subject to the detailed averaging rules contained in the Tax Act.

*Dissenting Shareholders*

Dissenting Shareholders will be entitled, in the event the Transaction becomes effective, to be paid by the Fund an amount equal to the fair value of their Class A Shares or Class L Shares held as at the Effective Date. A Dissenting Shareholder would be considered to have disposed of such shares for proceeds of disposition equal to the amount received from the Fund, less the amount of any interest included in the payment, if any. Interest awarded by a court to a Dissenting Shareholder will be included in the income of the Dissenting Shareholder for a particular taxation year to the extent that the amount is received or receivable in that year, depending upon the method regularly followed by the Dissenting Shareholder in computing income.

A Dissenting Shareholder will generally realize a capital gain (or capital loss) to the extent that the proceeds of disposition for purposes of the Tax Act of the Class A Shares or Class L Shares, as reduced by the amount of any deemed dividend as discussed above and net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such shares immediately before the disposition.

Holders of Class A Shares who have not held their Class A Shares for at least eight years and who redeem their Class A Shares prior to the Transaction (except in limited circumstances) or exercise Dissent Rights in connection with the Transaction, will generally be subject to withholding and remittance of amounts required to be paid to the appropriate federal and provincial tax authorities in respect of any federal and provincial tax credits received by the holder at the time the Class A Share was issued, subject to, and in accordance with, the detailed provisions of the Tax Act, the Ontario Act, and the Ontario Tax Act.

**Dissenting shareholders are strongly urged to consult their own tax advisors.**

***Taxation of The Limited Partnership***

The following portion of the summary discusses certain of the principal Canadian federal income tax considerations generally applicable to the acquisition, ownership and disposition of Units by an investor who, for the purposes of the Tax Act and at all material times, is an individual (other than a trust), deals at "arm's length" and is not affiliated with the Limited Partnership or the General Partner, is resident in Canada, is the original owner of the Units and acquires the Units in the course of the Transaction, holds the Units as capital property, and has invested in the Units for his or her own benefit and not as a trustee of a trust (a "**Canadian Unitholder**"). This summary does not apply to an investor that is a "financial institution" for the purposes of the "mark-to-market" rules contained in the Tax Act and assumes that, at all times, the Limited Partnership itself will not be a "financial institution" for such purposes, that no interest in the Limited Partnership will be a "tax shelter investment" within the meaning of section 143.2 of the Tax Act, that the Limited Partnership will be a "Canadian partnership" for the purposes of the Tax Act, and that the Limited Partnership will conduct its activities exclusively in Canada. This summary is further based on the

assumption that the Limited Partnership will not, directly or indirectly, invest in or hold (i) the securities of any non-resident trust that is not an "exempt foreign trust" as defined in section 94 of the Tax Act, (ii) an interest in a trust (or a partnership which holds such an interest) which would require the Limited Partnership or any Canadian Unitholder (or the partnership which holds the interest in the subject trust) to report income in connection with such interest pursuant to the rules in section 94.2 of the Tax Act, (iii) the securities of any non-resident corporation or trust or other non-resident entity if the Limited Partnership (or any Canadian Unitholder) would be required to include any material amounts in income pursuant to section 94.1 of the Tax Act, (or amendments to such provisions as enacted into law or successor provisions thereto), or (iv) securities of an entity that would constitute a "foreign affiliate" of the Limited Partnership (or any Canadian Unitholder) for the purposes of the Tax Act. Finally, this summary is based on the assumption that, at no time, will the Limited Partnership, or a person or partnership that does not deal at "arm's length" with the Limited Partnership (as defined for the purposes of the Tax Act), be owed amounts by a Canadian Unitholder or a person or partnership that does not deal at "arm's length" with the Canadian Unitholder (as defined for the purposes of the Tax Act).

The income and other tax consequences of acquiring, holding or disposing of Units will vary, depending on the status of an investor, the province or territory in which the investor resides or carries on business and, generally, the investor's own particular circumstances. This summary is not exhaustive of all possible tax considerations applicable to an investment in Units and does not describe the income tax considerations relating to the deductibility of interest on money borrowed to acquire Units. The following summary is, therefore, of a general nature only and is not intended to constitute, and should not be construed as, legal or tax advice to any particular investor. **Each investor should seek independent advice regarding the tax consequences of investing in Units, based on the investor's own particular circumstances**.

References to "income" or "loss" in this summary mean income or loss as determined for the purposes of the Tax Act.

*Computation of Income or Loss*

Subject to the application of the special tax on certain earnings of "SIFT partnerships" (discussed below), the Limited Partnership should generally not otherwise be liable for tax under the Tax Act. However, the Limited Partnership will be required to calculate its income or loss in accordance with the Tax Act for each fiscal year of the Limited Partnership as if it were a separate person resident in Canada, subject to the detailed computational rules contained in the Tax Act. The Limited Partnership's fiscal year-end is December 31.

In computing the income or loss of the Limited Partnership for a fiscal year, (i) all interest on indebtedness that accrues (or is deemed to accrue) to the Limited Partnership to the end of that year (or until the disposition of the indebtedness in the year) or that has become receivable or is received by the Limited Partnership before the end of that year, including on a conversion, redemption or repayment on maturity, except to the extent that such interest was included in computing the Limited Partnership's income for a preceding year and excluding any interest that accrued prior to the time of the acquisition of the indebtedness by the Limited Partnership, will be included in the computation of the Limited Partnership's income for that fiscal year, (ii) one-half of any capital gain from the disposition of capital property ("**taxable capital gains**") of the Limited Partnership must be included in computing the income of the Limited Partnership and one-half of any capital loss arising on the disposition of capital property of the Limited Partnership may be permitted to be deducted from taxable capital gains of the Limited Partnership (subject to the detailed limitations in the Tax Act), and (iii) dividends received must be included in computing the income of the Limited Partnership in accordance with the detailed rules in the Tax Act. In computing the income or loss of the Limited Partnership, deductions may be claimed in respect of expenses incurred by the Limited Partnership in accordance with, and to the extent permitted under, the Tax Act.

*"SIFT Partnership" Rules*

It is expected that the Limited Partnership will constitute a "SIFT partnership" for the purposes of the Tax Act and will continue to constitute a "SIFT partnership" for any taxation year in which it holds "non-portfolio properties" (as defined for the purposes of the Tax Act). "Non-portfolio properties" of the Limited Partnership will include certain "securities" (as defined for the purposes of the Tax Act) of corporations or trusts resident in Canada or "Canadian resident partnerships" (each, a "**subject entity**") if, at the relevant time, the Limited Partnership holds (i)

"securities" of the subject entity that have a total fair market value that is greater than 10% of the "equity value" (as defined for the purposes of the Tax Act) of the subject entity, or (ii) "securities" of the subject entity that, together with all of the "securities" that the Limited Partnership holds of entities "affiliated" with the subject entity for the purposes of the Tax Act, have a total fair market value that is greater than 50% of the total fair market value at the relevant time of all interests in the Limited Partnership.

The Limited Partnership will be liable to tax each year in respect of the "taxable non-portfolio earnings" of the Limited Partnership for the taxation year at rates that are intended to approximate applicable corporate tax rates ("**SIFT Tax**"). Members of the Limited Partnership may have special tax return filing requirements as a consequence of being members of a "SIFT partnership".

*Taxation of Canadian Unitholders*

Each person who is a Canadian Unitholder during a fiscal period of the Limited Partnership will be required to include in computing his or her income for the taxation year in which the fiscal period ends, his or her share of the Limited Partnership's income and, subject to the "at-risk" rules described below, will generally be permitted to deduct in computing his or her income for that taxation year his or her share of the Limited Partnership's losses for the fiscal period, regardless of whether the Canadian Unitholder has received or will receive any distributions from the Limited Partnership. In general, a Canadian Unitholder's share of the Limited Partnership's income or loss from any source or from sources in a particular place will be treated as if it were the income or loss of the Canadian Unitholder from that source or from sources in that particular place and any provisions of the Tax Act applicable to that type of income or loss will generally apply to the Canadian Unitholder in respect of such income or loss, subject to the detailed provisions of the Tax Act.

To the extent that distributions are made to a Canadian Unitholder in respect of his/her Units during a particular fiscal period of the Limited Partnership, the adjusted cost base of such Canadian Unitholder's Units will be reduced by the amount of such distributions. Immediately following each fiscal period of the Limited Partnership, the adjusted cost base of a Canadian Unitholder's Units will generally be increased (decreased) by the Canadian Unitholder's share of the income (losses) in respect of the preceding fiscal year that was allocated in respect of such Units in accordance with the Tax Act.

If the adjusted cost base of a Canadian Unitholder's Units as at the end of any fiscal period of the Limited Partnership is less than zero, such negative amount will generally be deemed to be a capital gain from the disposition of the Canadian Unitholder's Units as at the end of the fiscal period of the Limited Partnership, one-half of which must be included in computing the Canadian Unitholder's income for the relevant taxation year. The amount of such deemed gain is generally thereafter added in computing the adjusted cost base of such Canadian Unitholder's Units. Under certain circumstances, the Canadian Unitholder may be entitled to elect for a capital loss to be deemed to arise in a subsequent taxation year (equal to at least a portion of the deemed capital gain) to the extent that the adjusted cost base of the Canadian Unitholder's Units is a positive amount as at the end of a subsequent fiscal period of the Limited Partnership, subject to the detailed restrictions in the Tax Act.

**To the extent that a Canadian Unitholder is deemed to have a gain for tax purposes arising as a consequence of the adjusted cost base of his/her Units being a negative amount as at the end of a fiscal period of the Limited Partnership, the Canadian Unitholder may be subject to permanent double taxation in respect of amounts distributed in respect of his/her Units.**

To the extent that earnings of the Limited Partnership are subject to SIFT Tax, an amount equal to a Canadian Unitholder's share of the "taxable non-portfolio earnings" of the Limited Partnership will generally not be required to be included in computing the income of the Canadian Unitholder for the relevant taxation year. Instead, the Limited Partnership will be deemed to have received a dividend in the taxation year from a taxable Canadian corporation equal to the amount by which the Limited Partnership's "taxable non-portfolio earnings" for the taxation year exceeds the SIFT Tax payable by the Limited Partnership for the taxation year. Each Canadian Unitholder will be required to include his/her allocated share of such deemed dividend in his/her income for tax purposes in respect of the taxation year.

*The "At-Risk" Rules*

The Tax Act provides that, notwithstanding the income or loss allocation provisions of the Limited Partnership Agreement, any losses of the Limited Partnership from a business or property allocated to a Canadian Unitholder will not be deductible by such Canadian Unitholder in computing his/her income for a taxation year to the extent that the Canadian Unitholder's share of the loss exceeds the Canadian Unitholder's "at-risk amount" in respect of the Limited Partnership at the end of the year. In general terms, the "at-risk amount" of a Canadian Unitholder in respect of the Limited Partnership at the end of a fiscal year of the Limited Partnership is: (i) the adjusted cost base of the Canadian Unitholder's Units at that time, plus (ii) the Canadian Unitholder's share of the income of the Limited Partnership for the fiscal year, less the aggregate of (iii) all amounts owing by the Canadian Unitholder to the Limited Partnership or to a person with whom the Limited Partnership does not deal at arm's length, and (iv) subject to certain exceptions, any amount or benefit to which the Canadian Unitholder is entitled to receive where the amount or benefit is intended to protect the Canadian Unitholder from any loss the Canadian Unitholder may sustain by virtue of being a member of the Limited Partnership or holding or disposing of Units.

A Canadian Unitholder's share of any loss incurred by the Limited Partnership that is not deductible by the Canadian Unitholder in the year because of the "at-risk" rules is considered to be its "limited partnership loss" in respect of the Limited Partnership for that year. Such "limited partnership loss" may generally be deducted by the Canadian Unitholder in any subsequent taxation year against any income allocated to the Canadian Unitholder from the Limited Partnership for that year to the extent that the Canadian Unitholder's "at-risk amount" at the end of the Limited Partnership's fiscal year ending in that year exceeds its share of any loss of the Limited Partnership for that fiscal year, subject to the detailed provisions of the Tax Act.

*Disposition and Redemption of Units*

On the actual or deemed disposition of a Unit (including on the redemption of a Unit), a Canadian Unitholder will generally realize a capital gain (or a capital loss) to the extent that the proceeds of disposition of the Unit, net of any reasonable costs of disposition, exceed (or are exceeded by) the Canadian Unitholder's adjusted cost base of the Unit. Subject to special rules in the Tax Act relating to the disposition of Units to non-residents of Canada and tax-exempt entities, one-half of any capital gain (a "**taxable capital gain**") must be included in computing the income of a Canadian Unitholder and one-half of any capital loss (an "**allowable capital loss**") may be deducted from taxable capital gains in accordance with the rules in the Tax Act.

In general, the adjusted cost base of the Units of a Canadian Unitholder at a particular time is the amount paid by the Canadian Unitholder to acquire the Units, plus the aggregate of the Canadian Unitholder's share of any income and the non-taxable portion of capital gains of the Limited Partnership for fiscal periods of the Limited Partnership ending before that time, less the aggregate of the Canadian Unitholder's share of the losses of the Limited Partnership (other than any portion of such losses not deducted by reason of the application of the "at-risk" rules) and the non-allowable portion of capital losses of the Limited Partnership for fiscal periods of the Limited Partnership ending before that time and any distributions made to the Canadian Unitholder by the Limited Partnership before that time. The adjusted cost base of a Canadian Unitholder's Units would be reduced by the unpaid principal amount of any indebtedness of the Canadian Unitholder for which recourse is limited to the extent that such indebtedness can reasonably be considered to have been used to acquire the Units.

For purposes of determining the adjusted cost base of Units to a Canadian Unitholder, the adjusted cost base of all identical Units at any time are their weighted average adjusted cost base at that time.

As noted above, if a Canadian Unitholder's adjusted cost base of its Units is negative at the end of a fiscal year of the Limited Partnership, the amount by which it is negative will be deemed to be a capital gain realized by the Canadian Unitholder at that time and the Canadian Unitholder's adjusted cost base of its Units will be increased thereafter by the amount of such deemed capital gain. If the adjusted cost base of the Units is positive at the end of a subsequent fiscal year of the Limited Partnership, the Canadian Unitholder may, under certain circumstances, elect to treat such positive amount as a capital loss to the extent it does not exceed the previous deemed capital gain, and the adjusted cost base of the Canadian Unitholder's Units would be reduced by such elected amount.

If, at any time, the Limited Partnership redeems all of a Canadian Unitholder's Units, but retains a holdback of the redemption proceeds, the Canadian Unitholder will generally be deemed not to have disposed of the Units until the later of the end of the fiscal period in which the Units were redeemed and the date at which payment of the holdback is satisfied. However, to the extent that amounts required to be deducted from the adjusted cost base of the Units at the end of the fiscal period in which the Units were redeemed exceed the total cost to the Canadian Unitholder of the Units and amounts to be added to the adjusted cost base of the Units at the end of the fiscal period, such excess will be deemed to be a capital gain realized by the Canadian Unitholder on the Units at the end of such fiscal period.

*Alternative Minimum Tax*

Alternative minimum tax is payable by individuals on their "adjusted taxable income". In general, "adjusted taxable income" is computed by revising the ordinary income determination by adding back certain deductions otherwise permitted under the Tax Act. Any increases in the "adjusted taxable income" of a Canadian Unitholder and any capital gain realized by an individual on the disposition of a Unit may give rise to an increased liability for alternative minimum tax. Canadian Unitholders are advised to consult with their tax advisors to determine the alternative minimum tax implications of investing in Units.

*Tax and Information Returns*

Each Canadian Unitholder is responsible for filing his or her own tax return reporting his or her share of the income or loss of the Limited Partnership. Under the Limited Partnership Agreement, the General Partner is required to provide Canadian Unitholders with all information necessary to enable Canadian Unitholders to complete their tax returns.

Limited Partners will be required to file an annual information return and certain other returns reporting, among other things, the income or loss of the Limited Partnership for the fiscal year and the names and shares of such income or loss of all of the partners of the Limited Partnership. The filing of the annual information return by the General Partner on behalf of the Limited Partners will satisfy this requirement and, under the Limited Partnership Agreement, the General Partner has agreed to file the annual information return on behalf of all Limited Partners.

***Eligibility for Investment***

Provided the Units are listed on a "designated stock exchange" as defined in the Tax Act, the Units will generally be "qualified investments" under the Tax Act for trusts governed by a registered retirement savings plan ("**RRSP**"), a registered retirement income fund ("**RRIF**"), a registered disability savings plan, a deferred profit sharing plan, a registered education savings plan and a tax-free savings account ("**TFSA**"), as such terms are defined in the Tax Act.

The "Canadian National Stock Exchange" is currently designated as a "designated stock exchange" for the purposes of the Tax Act. The Canadian National Stock Exchange recently changed its name to the "Canadian Securities Exchange". **Counsel to the Fund has been advised that the list of "designated stock exchanges" designated by the Minister of Finance (Canada) has yet to be updated to reflect the change in name of the Canadian National Stock Exchange. Until the Canadian Securities Exchange is expressly designated as a "designated stock exchange" for the purposes of the Tax Act, it is possible that the CRA would take the position that securities listed on the Canadian Securities Exchange, including the Units, are not "qualified investments" under the Tax Act by virtue of their listing on the Canadian Securities Exchange.**

Notwithstanding the foregoing, even if the Units are "qualified investments" under the Tax Act, if the Units are "prohibited investments" for an RRSP, RRIF or TFSA (each a "**Registered Plan**"), the holder of the TFSA or the annuitant of the RRSP or RRIF, as the case may be, will be subject to a penalty tax as set out in the Tax Act. A Unit will generally be a "prohibited investment" for a Registered Plan if the "controlling individual" (the holder of a TFSA or the annuitant of an RRSP or RRIF) (i) does not deal at "arm's length" with the Limited Partnership (for purposes of the Tax Act), or (ii) has a "significant interest" in the Limited Partnership (within the meaning of the Tax Act). A controlling individual will generally have a significant interest in a partnership if he or she, either alone or together with one or more persons or partnerships with whom he or she does not deal at arm's length, holds interests as a member of the partnership representing 10% or more of the fair market value of all of the interests of

all members in the partnership. A Unit will generally not be a "prohibited investment" if the Unit is "excluded property" for Registered Plans.

Annuitants of RRSPs or RRIFs, and holders of TFSAs, should consult with their own tax advisors regarding the "prohibited investment" rules based on their own particular circumstances.

**Risk Factors**

Investors should consider carefully the following risks and other information included and incorporated by reference in this Circular and the Fund's historical financial statements and related notes, together with the information related to the Limited Partnership contained herein. See "Information Concerning the Limited Partnership". The Fund and the Limited Partnership's operations will be speculative due to the high-risk nature of the investment business. The risks below are not the only ones facing the Fund and the Limited Partnership. Additional risks not currently known to the Fund, or that it currently believes to be immaterial, may also impair the Fund's or the Limited Partnership's operations. If any of the following risks actually occur, the Fund's and/or the Limited Partnership's business, financial condition and operating results could be materially adversely affected. Shareholders should carefully consider the risk factors set out below.

***Risks relating to the Transaction***

*Market for Securities and Volatility of Trading Price*

There can be no assurance that an active and liquid market for the Units will develop and an investor may find it difficult to resell the Units. There can be no assurance that an active trading market in the Units will be sustained. The market price for the Units could be subject to wide fluctuations, which could include an adverse effect on the market price of the Units. The stock market has, from time to time, experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies. There can be no assurance that a listing of the Units may be obtained or maintained. Trading in the Units may be halted at other times for other reasons, including for failure by the Limited Partnership to submit documents to the exchange in the time periods required. The Units are also subject to restrictions on transfer contained in the Limited Partnership Agreement. Withdrawal of capital is not permitted unless otherwise provided for in the Limited Partnership Agreement.

*Potential Dilution*

Units will not be redeemable. To the extent new units of the Limited Partnership are issued in future, existing Limited Partners may suffer dilution.

*Transaction Risk*

The completion of the Transaction is subject to a number of conditions precedent, some of which are outside the control of the Fund, including, without limitation, approval of the Transaction Resolution at the Meeting, regulatory consents, and approval for the listing of the Units. There can be no certainty that these conditions will be satisfied or, if satisfied, when they will be satisfied. If any regulatory approvals cannot be obtained on terms satisfactory to the Board, the Transaction may have to be amended, and accordingly, the benefits available to Shareholders resulting from the Transaction may be reduced. Alternatively, if the Transaction does not proceed it may have an adverse effect on the business and affairs of the Fund. There is no assurance that the Limited Partnership will be able to implement its business plans or operate profitably over the short term or an extended period.

*Timing of Transaction*

The Transaction will be completed after the date of the Meeting, and thus at the date of the Meeting the Series NAV per Share to be used in the Exchange Ratio will not be known. As a result, Shareholders cannot be sure at the time of the Meeting the number of Units that would be received by them upon completion of the Transaction.

*Valuations*

The number of Units to be issued to the Fund and ultimately distributed to Class A Shareholders and Class L Shareholders will be determined by reference to the NAV of the Fund relative to the Limited Partnership Unit Price as at the Effective Date. NAV is based on estimates of the fair value of the each of the assets of the Fund for which there is no published market, namely the venture investments, along with the fair value of the remaining assets and liabilities in the Fund. The process of valuing venture investments for which no published market exists is subject to inherent uncertainties and the resulting values may differ from values which would have been used had a ready market existed for those investments. To the extent that valuations are too high or too low, the Exchange Ratio for the Transaction may not accurately reflect the relative value of the venture investments of the Fund. Valuating these types of investments is based on inherent uncertainties and the resulting values can differ materially from the prices at which the investments could actually be sold.

*Directors' and Officers' Indemnities*

The directors and officers of the Fund and the Manager and its directors and officers will be provided with an indemnity by the Limited Partnership in the circumstances set out in the Limited Partnership Agreement.

***Risks relating to the Limited Partnership***

*Nature of Investments*

The Units will be highly speculative in nature. The business of the Limited Partnership will be to make debt and equity-related investments in growing Canadian companies, initially focusing on companies in the expansion phase of development in mid to late stages. There is no assurance that sufficient suitable investments will be found in order for the Limited Partnership to fulfil its investment objective. There is no guarantee that an investment in Units will earn a specified rate of return or any return in the short or the long term. An investment in Units is only appropriate for investors who are prepared to hold their investment in the Limited Partnership for a long period of time and who have the capacity to absorb a loss of some or all of their investment.

There can be no assurance that the Limited Partnership will be able to achieve its investment objectives. Furthermore, there is no assurance that the Limited Partnership will be able to pay distributions in the short or long-term. Changes in the investments in the portfolio of the Limited Partnership can affect the overall yield to Limited Partners. The distributions received by the Limited Partnership from issuers whose securities are held as investments may vary from month to month and certain of these issuers may pay distributions less frequently than monthly, with the result that revenue generated by the portfolio and available for distributions to Limited Partners could vary substantially.

The Limited Partnership will not be subject to any investment restrictions directed at ensuring liquidity and diversification of investments. The Limited Partnership may take positions in small and medium-sized businesses which will represent a larger percentage of the equity than a mutual fund would normally be permitted to take, and this may increase the risk per investment.

Investments of the kind to be made by the Limited Partnership, by their nature, involve a longer investment time horizon than that which is typical for other types of investments. Many such investments require between five to ten years in order to mature and generate the returns expected by investors. Furthermore, despite the intended diversification of the Limited Partnership's investment portfolio for purposes of distributing risk, the investments of the Limited Partnership are likely to mature at different times. In addition, certain of the investments may not mature and generate the returns expected, or indeed provide for a recoupment of the capital invested. As well, losses on unsuccessful investments are often realized before gains on successful investments are realized.

Venture capital investment in eligible Canadian businesses require a greater commitment to investment analysis than investments in most other securities.

*Composition of Limited Partnership Investments*

The composition of the portfolio companies to be held by the Limited Partnership taken as a whole may be concentrated by type of security, industry or geography, resulting in those investments being less diversified than anticipated. Overweighting investments in certain sectors or industries involves risk that the Limited Partnership will suffer a loss because of declines in the prices of securities in those sectors or industries.

*Investments in Privately-Held Small and Mid-Sized Companies*

The Limited Partnership will invest in small and mid-sized Canadian companies, many of which will be privately-held. Investments in such companies involve a number of significant risks, including that these companies may have limited financial resources and may be unable to meet their obligations, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of the Limited Partnership realizing on its investments. They may have less predictable operating results and may have difficultly accessing the capital markets to meet future capital needs. Such companies typically have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns. There is also generally little public information about these companies, and their financial information is not subject to securities or other regulation that govern public companies, and as a result the Limited Partnership may not be able to receive all material information about these companies. Such companies may also be particularly dependent on a number of key personnel.

Some of the Limited Partnership's portfolio companies may be highly leveraged, which may have adverse consequences to these companies and to the Limited Partnership as an investor. These companies may be subject to restrictive financial and operating covenants and the leverage may impair these companies' ability to finance their future operations and capital needs. As a result, these companies' flexibility to respond to changing business and economic conditions and to take advantage of business opportunities may be limited. Further, a leveraged company's income and net assets will tend to increase or decrease at a greater rate than if borrowed money were not used.

*Follow-On Financings*

It is likely that the portfolio companies of the Limited Partnership will require additional financing after the investments made by the Limited Partnership in order to fully implement their business strategies. If the Limited Partnership is unable to raise additional capital, it will be reliant upon third parties to provide such financing in order to realize on investments in the portfolio companies. The ability of the Limited Partnership to raise additional capital will be dependent on a number of factors including the state of the capital markets and legislative changes. Units of the Limited Partnership will not be in continuous distribution.

*External Factors*

The value of the securities and investments of the Limited Partnership will fluctuate with certain factors over which the Limited Partnership has no control, such as general economic conditions including the level of interest rates, corporate earnings, economic activity, the Canadian dollar and other factors. Eligible technology businesses, by virtue of their size and stage of development, will be affected more than larger, more mature entities by external events, including downturns in general economic conditions. In addition, the ultimate success of a particular portfolio company will depend in large part on its management. Smaller businesses, by virtue of their size and stage of development, will be affected more than larger, more mature entities by external events, including downturns in general economic conditions. Although the Limited Partnership intends to invest in portfolio companies with strong management teams, there can be no assurance that the company will be operated successfully.

*Early Stage Portion of Portfolio*

Many of the businesses that the Limited Partnership will invest in are developing products which will require significant additional development, testing and investment prior to any final commercialization and therefore should be considered early stage investments with greater levels of risk. There can be no assurance that such products will

be successfully developed, be capable of being produced in commercial quantities at reasonable costs or be successfully marketed.

*Use of Leverage*

The Limited Partnership may use leverage in order to enhance returns for Limited Partners. Leverage (or borrowing) magnifies the potential for gain or loss on amounts invested and, therefore, increases the risks associated with investing in the Limited Partnership. The Limited Partnership may borrow from banks, insurance companies, funds, institutional investors and other lenders and investors. Lenders will have fixed dollar claims on the Limited Partnership's assets that are superior to the claims of the Limited Partners.

The use of leverage may result in losses or a decrease in distributions to Limited Partners. The interest expense and banking fees incurred in respect of any credit facility may exceed the incremental capital gains, if any, and income generated by the incremental investment in securities to be purchased in the portfolio with borrowed funds. There can be no assurance that the borrowing strategy employed by the Limited Partnership will enhance returns. In addition, the Limited Partnership may not be able to renew any loan facility on acceptable terms. The level of leverage actually employed may be affected by credit markets and the availability of credit at the relevant time.

Credit facilities obtained by the Limited Partnership are expected to contain covenants, including possible limitations on the Limited Partnership's ability to incur secured and unsecured indebtedness, sell all or substantially all of its assets and engage in mergers and consolidations and various acquisitions. These provisions may restrict the Limited Partnership's ability to pursue business initiatives or acquisition transactions that may be in its best interests. In addition, failure to meet any such covenants could cause an event of default under and/or acceleration of some or all of the Limited Partnership's indebtedness, which would have an adverse effect on the Limited Partnership.

*Illiquid Securities*

The Limited Partnership may invest in illiquid securities including those of public issuers. A considerable period of time may elapse between the time a decision is made to sell such securities and the time the Limited Partnership is able to do so, and the value of such securities could decline during such period. Illiquid investments are subject to various risks, particularly the risk that the Limited Partnership will be unable to realize its investment objectives by sale or other disposition at attractive prices or otherwise be unable to complete any exit strategy. In some cases, the Limited Partnership may be prohibited by contract from selling such securities for a period of time or otherwise be restricted from disposing of such securities. Furthermore, the types of investments made may require a substantial length of time to liquidate. If the Limited Partnership is required to liquidate all or a portion of its portfolio quickly, it could realize significantly less than the value at which it has recorded its investments. In addition, the Limited Partnership may face other restrictions on its ability to liquidate an investment in a portfolio company to the extent it has material non-public information regarding such portfolio company.

While the Limited Partnership does not have a fixed termination date, to the extent the General Partner is unable to dispose of some or all of the investments held by the Limited Partnership prior to its termination, Limited Partners may, subject to applicable laws, receive distributions of securities *in specie* upon termination of the Limited Partnership, for which there may be an illiquid market or which may be subject to resale restrictions of indefinite duration.

*Credit Risk*

Credit risk is the risk that the company, government or other entity (including a special purpose vehicle) that issued a bond or other fixed income security (including asset backed and mortgage backed securities) cannot pay interest or repay principal when it is due. This risk is lowest among issuers that have a high credit rating from a credit rating agency. It is highest among issuers that have a low credit rating or no credit rating. Investments with a lower credit rating usually offer a better return than higher grade investments, but have the potential for substantial loss as well as gain.

High yielding, higher risk income securities in which the Limited Partnership may invest are subject to greater risk of loss of principal and income than higher rated fixed income securities, and are considered to be less certain with respect to the issuer's capacity to pay interest and repay principal.

*Interest Rate Risk*

The market price, if any, for the Units at any given time may be affected by the level of interest rates prevailing at such time. A rise in interest rates may have a negative effect on the market price of the Units. Limited Partners who wish to sell their Units may, therefore, be exposed to the risk that the sale price of the Units may be negatively affected by interest rate fluctuations. In addition, general interest rate fluctuations may have a substantial negative impact on the Limited Partnership's investments and investment opportunities and, accordingly, may have a material adverse effect on the Limited Partnership's investment objective. As the Limited Partnership may borrow to make investments, the Limited Partnership's investment income may be dependent upon the difference between the rate at which the Limited Partnership borrows funds and the rate at which it invests these funds. As a result, there can be no assurance that a significant change in market interest rates will not have a material adverse effect on the Limited Partnership's investment income.

*Use of Options*

If the Limited Partnership purchases call options, it will be subject to the credit risk that its counterparties (whether a clearing corporation, in the case of exchange-traded instruments, or other third parties, in the case of over-the-counter instruments) may be unable to meet their respective obligations and the Limited Partnership may incur losses as a result.

*Subordination of Investments*

The Limited Partnership's portfolio companies may have, or may be permitted to incur, other debt, or issue other equity securities, that rank equally with, or senior to, the investments held by the Limited Partnership. By their terms, such instruments may provide that the holders are entitled to receive payment of dividends, interest or principal on or before the dates on which the Limited Partnership is entitled to receive payments in respect of its investments. These debt instruments would usually prohibit the portfolio companies from paying interest or repaying the Limited Partnership's investments in the event and during a continuance of a default under such debt. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of securities ranking senior to the Limited Partnership's investment in that portfolio company typically are entitled to receive payment in full before the Limited Partnership receives any distribution in respect of its investment. After repaying such holders, the portfolio company may not have any remaining assets to use for repaying its obligations to the Limited Partnership. In the case of securities ranking equally with the Limited Partnership's investments, the Limited Partnership would have to share on an equal basis any distributions with other security holders in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

*Fluctuations in Quarterly Results*

The Limited Partnership could experience fluctuations in quarterly operating results due to a number of factors, including the interest rates payable on the debt investments made by the Limited Partnership, the default rates on such investments, the level of the Limited Partnership's expenses, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which the Limited Partnership encounters competition in its markets and general economic conditions. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods.

*Management*

Investors will be relying on the business judgment, expertise and integrity of the General Partner and B.E.S.T. Investment Counsel Limited. The unexpected loss or departure of any key officers, employees or consultants from the General Partner or B.E.S.T. Investment Counsel Limited could be detrimental to the Limited Partnership's future

operations. In addition, there is no assurance that the Limited Partnership will continue to have access to key persons or their information and deal flow.

Limited Partners will not be entitled to participate in the management of the Limited Partnership, and will not have any input into decisions regarding the making, management, disposition, or realization of any investment, or any other decisions regarding the Limited Partnership's business and affairs.

*Performance Allocation*

The Performance Allocation may create an incentive for the General Partner to cause the Limited Partnership to make investments that are riskier or more speculative than would be the case in the absence of such an approach to allocating the Net Income of the Limited Partnership.

*Possible Effect of Distributions to the General Partner*

The General Partner will receive quarterly distributions in respect of its entitlement to a portion of the Net Income of the Limited Partnership (as represented by the Priority Profit Allocation and the Performance Allocation). It is intended that the Limited Partners will receive regular cash distributions from the Limited Partnership.

In the event any amounts distributed to the General Partner exceed the General Partner's share, if any, of the Net Income of the Limited Partnership, the Limited Partnership will not be entitled to claim such difference as an expense, nor will the General Partner have an immediate obligation to the Limited Partnership to repay any such distributions, which will have an adverse effect on the Limited Partnership.

*Allocations of Net Income*

The amount of Net Income allocated to Limited Partners for income tax purposes may exceed the amount of distributions received by Limited Partners. As a result, Limited Partners may be liable to pay income tax exceeding the amount of cash distributed by the Limited Partnership.

*Possible Loss of Limited Liability of Limited Partners*

The *Limited Partnerships Act* (Ontario) provides that a limited partner benefits from limited liability unless, in addition to exercising rights and powers as a limited partner, such limited partner takes part in the control of the business of a limited partnership of which such limited partner is a partner. A Limited Partner is liable for such Limited Partner's contributed capital, *pro rata* share of undistributed income retained by the Limited Partnership, and for any portion of the Limited Partner's contributed capital returned to such Limited Partner by the Limited Partnership. In order that the liability of the Limited Partners be limited to the extent described, certain legal requirements under the *Limited Partnerships Act* (Ontario) and other applicable provincial legislation must be satisfied.

The limitation of liability conferred under the *Limited Partnerships Act* (Ontario) may be ineffective outside Ontario, except to the extent it is given extra-territorial recognition or effect by the laws of other jurisdictions. There may also be requirements to be satisfied in each jurisdiction to maintain limited liability. If limited liability is lost, Limited Partners may be considered to be general partners (and therefore be subject to unlimited liability) in such jurisdiction by creditors, including potentially any lender to the Limited Partnership providing leverage for investment purposes, and others having claims against the Limited Partnership.

While the General Partner has agreed to indemnify the Limited Partners in certain circumstances, the General Partner has only nominal assets, and it is unlikely that the General Partner will have sufficient assets to satisfy any claims pursuant to such indemnity.

Where a Limited Partner has received the return of all or a part of the Limited Partner's contribution, they remain liable to the Limited Partnership (or if dissolved, its creditors), for any amount, not in excess of the amount returned with interest, necessary to discharge the liabilities of the Limited Partnership to all creditors who extended credit or whose claims otherwise arose before the return of the contribution.

*Status of the Limited Partnership*

As the Limited Partnership is not a mutual fund or an investment fund as defined under Canadian securities laws, the Limited Partnership is not subject to the Canadian policies and regulations that apply to mutual funds or other investment funds. In particular, rules directed at ensuring liquidity and diversification of investments and certain other investment restrictions and practices normally applicable to mutual funds will not apply to the Limited Partnership. The Limited Partnership may take positions in small and medium sized businesses which will represent a larger percentage of the equity than a mutual fund would normally be permitted to take, and this may increase the risk per investment.

*Nature of Investment*

Holders of Units will not have statutory rights normally associated with ownership of shares of a corporation, including the right to bring "oppression" or "derivative" actions and rights of dissent. The rights of a Limited Partner are based primarily on the Limited Partnership Agreement.

*Restriction on Ownership of Units*

**The Limited Partnership Agreement contains provisions limiting the ownership of Units by "non-residents" and partnerships that are not "Canadian partnerships" (as defined in the Tax Act).** As a result, these restrictions may limit the demand for Units or limit the ability to transfer the Units, thereby adversely affecting the liquidity and market value of the Units. To the extent non-residents or non-Canadian partnerships are or become members of the Limited Partnership, persons that pay dividends, interest, rent, royalties or other amounts to the Limited Partnership may seek to withhold and remit non-resident withholding tax from such payments, resulting in a decrease in the amounts paid to the Limited Partnership. There can be no assurance that members of the Limited Partnership will be able to obtain a refund, credit or deduction in respect of such tax withholdings. If the Limited Partnership has non-resident members and, therefore, does not constitute a "Canadian partnership" for the purposes of the Tax Act, certain other adverse tax consequences or limitations may arise.

*Competition*

The Limited Partnership will compete with companies and investment funds in the venture capital industry, some of which may have greater capital resources, including commercial and investment banks, commercial financing companies, high yield investors and venture capital funds. Some of these competitors may have a lower cost of funds and access to funding sources that may not be available to the Limited Partnership, and there is no assurance that the competitive pressures the Limited Partnership will face will not have a material adverse effect on its business, financial condition or results of operations. As a result of this competition, the Limited Partnership may not be able to pursue attractive investment opportunities from time to time. The Limited Partnership may lose investment opportunities if it does not match its competitors' pricing, terms and structure, and thus the Limited Partnership may make investments that are on less favourable terms than originally anticipated, which may impact the Limited Partnership's return on these investments.

*Valuations*

The valuation process for the Limited Partnership's investments is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been used had a ready market existed for the investments. To the extent that these valuations are too high, new unitholder investment will provide a benefit to existing investors; similarly, to the extent these valuations are too low, existing investors will suffer a dilution in the value of their Units. The value attributed to investments of the Limited Partnership may be significantly lower than the value which may be actually realized in the event that the Limited Partnership has to liquidate such investments. The fair value of investments that are not publicly traded may not be readily determinable and may fluctuate over short periods of time and be based on estimates.

*No Operating History*

The Limited Partnership and General Partner (and its general partner) are newly formed and have no history of income, business, operations or assets. There is no assurance that the Limited Partnership will be able to implement its business plans or operate profitably over the short-term or an extended period. Prior to the Effective Date, the Limited Partnership will have only nominal assets and the General Partner will at all material times thereafter only have nominal assets.

*Financial Resources of the General Partner*

The General Partner has unlimited liability for the obligations of the Limited Partnership and has agreed to indemnify and hold harmless each Limited Partner against losses, liabilities, expenses and damages suffered by such Limited Partner if the Limited Partners' liabilities are not limited as provided herein, provided that such loss of liability was caused by an act or omission of the General Partner or by the gross negligence or wilful misconduct in the performance of, or wilful disregard or breach of, the obligations or duties of the General Partner under the Limited Partnership Agreement. However, such indemnity will apply only with respect to losses in excess of the agreed capital contribution of the Limited Partner. The General Partner is expected to have only nominal assets and, therefore, the indemnity of the General Partner will have nominal value. Limited Partners also will not be able to rely upon the General Partner to provide any additional capital or loans to the Limited Partnership.

*Legislative Changes*

Changes may be introduced to federal, provincial or territorial legislation that may be unfavourable and impair the Limited Partnership's ability to attract future investment capital and its investment performance or otherwise adversely affect the Limited Partnership. As a result, the availability of funds for investment by the Limited Partnership and the return to investors in the Limited Partnership could be reduced, thereby decreasing the Limited Partnership's ability to fulfil its investment objectives.

*Conflicts of Interest*

The services of the officers, directors, employees and affiliates and associates of T1 General Partner Corp. and B.E.S.T. Investment Counsel Limited and its officers, directors and employees will not be exclusive to the Limited Partnership. Such persons will be providing similar services and devoting a portion of their time to other investment activities, directorships and offices. These activities may subject such parties to conflicting demands in respect of allocating management time, services and other functions. In circumstances in which other clients or funds on behalf of which the directors, officers, affiliates and associates of T1 General Partner Corp. have the same or substantially similar investment objectives as the Limited Partnership, the General Partner will endeavour to ensure that the Limited Partnership and such other clients or funds are treated in a fair and equitable manner. It is possible, however, that the Limited Partnership may not be given the opportunity to participate in certain investments made by funds managed by the LP Investment Advisor or its affiliates. The Limited Partnership will not have an IRC.

The Limited Partnership pays management fees to the General Partner, and reimburses the General Partner for certain expenses it incurs. The General Partner's management fee is based on a percentage of the Limited Partnership's total assets (including assets purchased with borrowed funds) and, consequently, the General Partner may have conflicts of interest in connection with decisions that could affect the Limited Partnership's total assets, such as decisions as to whether to incur indebtedness or to make future investments.

Part of the allocation payable by the Limited Partnership to the General Partner is computed and paid on income that may include interest that is accrued but not yet received in cash. If a portfolio company defaults on a loan that is structured to provide accrued interest, it is possible that accrued interest previously used in the calculation of the incentive fee will become uncollectible.

*Different Classes of Units*

Units of the Limited Partnership may be issued in classes of units. Depending upon the performance of the investment portfolio, the return achieved by each class may differ. Technically, if any class of Units cannot meet its obligations, the assets associated with the other classes may be required to be used to pay for those obligations.

*Additional Financings*

In future and subject to any necessary regulatory approvals, the Limited Partnership may seek to obtain additional funding to support growth through public or private equity financing. There are no assurances that additional funding will be available at all, on acceptable terms or at an acceptable level. Any additional equity financing may cause Limited Partners to experience dilution.

*Taxation of the Limited Partnership*

There can be no assurance that tax laws respecting the treatment of limited partnerships will not be changed in a manner which adversely affects the Limited Partners.

As described in greater detail under the heading "Certain Canadian Federal Income Tax Considerations", it is expected that one or more of the initial Portfolio Companies sold to the Limited Partnership in the Transaction will be "non-portfolio property" of the Limited Partnership, which will cause the Limited Partnership to be a "SIFT partnership" for the purposes of the SIFT rules in the Tax Act. For so long as such investments are held by the Limited Partnership and remain "non-portfolio property", the Limited Partnership will be subject to SIFT Tax on its "taxable non-portfolio earnings", which may result in a reduction in the after-tax returns to Limited Partners.

The CRA may challenge the asserted characterization or quantum of certain payments or allocations made by the Limited Partnership for tax purposes.

Canadian tax legislation, including the Tax Act and the *Excise Tax Act* (Canada), also contain a number of anti-avoidance and characterization rules that may permit the CRA to challenge the characterization or quantum of certain payments or allocations made by the Limited Partnership for tax purposes. If such challenges were successful, the tax liabilities of the Limited Partnership and/or the Limited Partners may be increased materially, resulting in a material reduction in the after-tax returns to Limited Partners. Such challenges, if successful, may also result in the imposition of material liabilities for interest and penalties.

There can be no assurance that tax laws respecting the treatment of limited partnerships will not be changed in a manner which adversely affects the Limited Partners. The Limited Partnership will generally be subject to harmonized sales tax in respect of fees and expenses incurred by the Limited Partnership, including the management fee payable to the General Partner. Any increase in such taxes payable by the Limited Partnership, whether through the application of the anti-avoidance provisions of any applicable tax legislation or otherwise, or as a result of a change of law or CRA administrative policy, will be borne by those persons who are Limited Partners at the time such liability is established to be payable.

## PART III – OTHER SPECIAL BUSINESS

### Increase in Stated Capital

On the Manager's recommendation, the Fund intends to capitalize annually sufficient amounts of its capital gains, if any, to permit the Fund to minimize the taxes payable by it. The Fund proposes to effect the capitalization by increasing the stated capital of each of the series of the Class A Shares and Class L Shares on a *pro rata* basis. For tax purposes, this will increase the paid-up capital of the shares of each class and series. Provided the appropriate election is filed by the Fund on a timely basis, an increase in the paid-up capital of the Class A Shares and Class L Shares will result in a deemed capital gains dividend to the holders of such shares, entitling the Fund to a refund of an amount effectively equal to all or part of the tax otherwise payable on its realized capital gains. The amount of a capital gains dividend will be treated as a capital gain of the holders of Class A Shares and Class L Shares, as applicable.

On the Manager's recommendation, the Fund proposes to capitalize amounts, if any, at appropriate intervals on or before September 30, 2014 which, in the aggregate, equal an estimate of the amount which would allow the Fund, pursuant to subsection 131(2) of the Tax Act, to obtain the maximum refund in respect of its capital gains for its taxation year ending September 30, 2014. The Chief Financial Officer of the Fund will estimate the amounts to be capitalized. The amounts will be approved by the Manager of the Fund.

The maximum amount of the refund to which the Fund will be entitled under subsection 131(2) of the Tax Act is an amount equal to the Fund's "refundable capital gains tax on hand" at the end of the year. The Fund's "refundable capital gains tax on hand" is a cumulative amount generally intended to approximate an amount equal to the federal tax paid on the Fund's net realizable capital gains less amounts previously refunded. Detailed rules in the Tax Act govern the calculation of the Fund's "refundable capital gains tax on hand".

**In the event of an increase in paid-up capital as described above, a Shareholder may not receive any cash distribution in respect of the resulting deemed capital gains dividend. Accordingly, a Shareholder may be liable to pay tax in respect of the deemed capital gains dividend, even though the holder may not have received a cash distribution from the Fund with which to pay the tax.**

In general, a Shareholder's adjusted cost base of Class A Shares and Class L Shares of the Fund will be increased by the amount of any dividend deemed to have been received on such shares.

A holder of Class A Shares which is an RRSP, a RRIF or a TFSA is generally exempt from tax on the amount of any deemed dividend, including a capital gains dividend.

For the purposes of the CBCA, the capitalization of income results in a corresponding increase in the stated capital account maintained by the Fund in respect of the applicable series of its Class A Shares and Class L Shares. Under the CBCA, the Fund is required to obtain the approval of its shareholders by way of special resolution to any increase in the stated capital account in respect of its Class A Shares and Class L Shares. For the purpose of satisfying this requirement, it is proposed that a special resolution be passed by the shareholders of the Fund in the form attached as Appendix "B" to this Circular. The special resolution must be passed by at least two-thirds of the votes cast, either in person or by proxy, by holders of the Class A Shares and Class L Shares and the holder of the Class B Share. It is expected that, in the event the Transaction Resolution is not passed, shareholders of the Fund will be asked to approve such special resolution on an annual basis.

The foregoing summary is not intended to be, nor should it be construed as legal or tax advice. Shareholders should consult their own tax advisors for their individual circumstances.

Assuming all necessary shareholder approvals are given at the Meeting, the special resolution will become effective and the Fund may, to the extent determined appropriate by its Management, increase the stated capital of each series of its Class A Shares and Class L Shares, on or before September 30, 2014 by an amount determined in respect of its taxation year ending September 30, 2014.

## PART IV - ANNUAL MEETING BUSINESS

### Receipt of Financial Statements

The consolidated financial statements of the Fund for the year ended September 30, 2013 and the report of the auditor thereon will be presented to the Meeting.

### Appointment of Auditor

At the Meeting, it is proposed that PricewaterhouseCoopers LLP be reappointed as auditor of the Fund to hold office until the next annual meeting of Shareholders at a remuneration to be fixed by the Board. PricewaterhouseCoopers LLP has been the Fund's auditor since the Fund's incorporation on November 21, 1996. As indicated above, the persons whose names are printed in the enclosed form of proxy intend to vote for the reappointment of PricewaterhouseCoopers LLP as auditor of the Fund to hold office until the next annual meeting of Shareholders and to authorize the directors to fix its remuneration unless a Shareholder has specified in his or her proxy that his or her Shares are to be withheld from voting on the appointment of auditor. The appointment of auditor must be approved by a majority of votes cast at the Meeting by Class A Shareholders, Class L Shareholders and the Class B Shareholder.

### Election of Directors

The number of directors of the Fund to be elected at the Meeting is six, two of whom will be elected by the holders of the Class A Shares as a class voting together with the holders of the Class L Shares as a class while the remaining four are to be elected by the Sponsor, the beneficial holder of the issued and outstanding Class B Share. It is proposed that each of the persons whose name appears hereunder be elected as a director of the Fund to serve until the close of the next annual meeting of Shareholders or until his or her successor is elected or appointed or his or her office is earlier vacated. With respect to the ballots relating to the election of directors by holders of Class A Shares and Class L Shares, it is intended that the Shares represented by proxy in favour of Management nominees will be voted in favour of the election of such persons as directors of the Fund, unless a Shareholder has specified in his or her proxy that his or her Shares are to be withheld from voting in the election of directors. Management does not anticipate that any of the nominees for election as directors will be unable to serve as a director, but if that should occur for any reason prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion. The information as to Class A Shares and Class L Shares beneficially owned or over which control or direction is exercised has been furnished by the respective nominees individually.

*Holders of Class A Shares and Class L Shares*

The nominees for election as directors of the Fund by the holders of the Class A Shares and Class L Shares are David A. Copeland and George R. Paterson. The name, municipality of residence, principal occupation, date the nominees first became directors of the Fund and the number and percentage of Class A Shares and Class L Shares held or over which control is exercised are set out below for the nominees to be elected by the holders of Class A Shares and Class L Shares.

| Name and Municipality of Residence | Principal Occupation | Director Since | Number and % of Class A / L Shares Owned or Controlled |
|---|---|---|---|
| DAVID ALEXANDER COPELAND [(1)]<br>Guelph, Ontario, Canada | Private Investor | September 10, 2008 | – |
| GEORGE RUSSELL PATERSON [(2)]<br>Toronto, Ontario, Canada | Consultant,<br>Paterson & Associates | November 21, 1996 | – |

(1) Member of the Audit Committee
(2) Chair of the Board

***David A. Copeland*** is a private investor investing in small, growth-oriented businesses. Mr. Copeland has held executive roles in the automobile parts manufacturing industry including President, Co-founder and a Director of TRIAM Automotive Inc. and Executive Vice-President and Chief Financial Officer of Magna International Inc. Mr. Copeland is a director of Nuvo Research Inc. and B.E.S.T. Total Return Fund Inc. Mr. Copeland is a Chartered Accountant and has a Bachelor of Mathematics degree from the University of Waterloo.

***George R. Paterson*** retired as Treasurer of IBM Canada Limited in 1990 and has worked as a consultant since that time. He held a number of senior management positions with IBM including Director of Finance and Administration in Europe, Canada and Asia. Mr. Paterson serves on several boards including B.E.S.T. Total Return Fund Inc. as well as a number of private companies, and provides strategic and management assistance to emerging technology corporations.

*The Holder of the Class B Shares*

The following four persons will be nominated at the Meeting for election as directors by the Sponsor or its duly appointed proxy. Of the four directors to be elected by the Sponsor, the Sponsor has agreed to support for election two nominees (Jocelyne M. Côté-O'Hara and David A. Turnbull) as designated by the Manager. The remaining two nominees (William D. Duncan and Robert D. Spaans) are nominees of the Sponsor. The name, municipality of residence, principal occupation, date the nominee first became a director of the Fund and number and percentage of Class A Shares and Class L Shares held or over which control is exercised are listed below for each nominee to be elected by the Sponsor.

| **Name and Municipality of Residence** | **Principal Occupation** | **Director Since** | **Number and % of Class A / L Shares Owned or Controlled** |
|---|---|---|---|
| JOCELYNE MARGUERITE MARIE CÔTÉ-O'HARA[(1)]<br>Toronto, Ontario, Canada | President, The Cora Group | November 22, 1996 | 283 (0.0135%) Class L Shares |
| WILLIAM DONALD DUNCAN<br>Guelph, Ontario, Canada | Engineering Consultant and President, Duncan Engineering and Technical Services Ltd. | February 28, 1998 | 282 (0.0199%) Class A Shares |
| ROBERT DWAYNE SPAANS<br>Peterborough, Ontario, Canada | Senior Designer, Andritz Hydro | March 30, 2012 | – |
| DAVID ANDREW TURNBULL[(1)]<br>Toronto, Ontario, Canada | Head of Private Company Advisory,<br>Manulife Capital Markets | March 29, 2010 | 5,117 (0.361%) Class A Shares |

(1) Member of the Audit Committee

***Jocelyne M. Côté-O'Hara*** is the President of The Cora Group, a corporate strategy and performance consulting firm. Ms. Côté-O'Hara is a former President and Chief Executive Officer of Stentor Telecom Policy Inc. and served for seven years as an executive and an officer of BC Tel. Over a period of ten years (1984-1994), she served in the credit union movement, including six years as a director and Chair of the Board of Directors of the Civil Service Credit Union and three years as a director of the Ontario Deposit Insurance Corporation. She is currently a director of a number of companies and other organizations including B.E.S.T. Total Return Fund Inc., Manitoba Telecom Services Inc. and the Ryerson University. She is a graduate of the University of Ottawa and has completed the Advanced Management Program at the Harvard Business School.

***William D. Duncan***, P. Eng. is the President of Duncan Engineering and Technical Services Ltd. and is employed part-time at ABB Inc. ("ABB"). Prior to his retirement in 2006, Mr. Duncan held the position of Senior Mechanical Design Engineer and Manufacturing Co-ordinator at ABB's power transformer plant located in Guelph, Ontario. He has held various positions in the power transformer business, including several years in ABB's Research and

Development Department providing direction to ABB power transformer plants throughout the world. Mr. Duncan is a past President of the Sponsor and is the President and a director of Sponsor Corp (as defined below).

***Robert D. Spaans*** is a Senior Designer at Andritz Hydro, one of the world's largest producers of Hydro Generating equipment, where he works on the development of large hydro generators. Mr. Spaans previously worked in the automotive industry as a designer. Mr. Spaans is also on the Andritz Hydro pension committee and works on the United Way committee. Mr. Spaans graduated from Fleming College and is the President of the Sponsor.

***David A. Turnbull*** is the Head of Private Company Advisory at Manulife Capital Markets. He has extensive experience in the financial services industry specializing in structuring, pricing and raising capital for business acquisitions, expansion, management buyouts, leveraged buy-outs and corporate restructuring. Previously, Mr. Turnbull founded and managed a boutique investment bank for 12 years. In addition, he was with two bank-owned investment dealers, an international professional services firm and has been acting Chief Financial Officer for three companies. Mr. Turnbull holds the designations of Chartered Financial Analyst, Chartered Financial Planner, has a Master of Business Administration from the Richard Ivey School of Business and a Bachelor of Arts in Economics from The University of Western Ontario. Mr. Turnbull is currently a director of B.E.S.T. Total Return Fund Inc.

Each director elected will hold office until the close of the next annual meeting of shareholders or until his or her successor is elected or appointed, unless his or her office is earlier vacated.

*Audit Committee*

The Audit Committee of the Fund is composed of David A. Turnbull, Jocelyne M. Côté-O'Hara and David A. Copeland (Chairman). The Audit Committee is responsible for reviewing financial statements prepared by the Manager on behalf of the Fund, liaising with the auditor of the Fund, reviewing the procedures respecting the approval of investments and the compliance of the Manager and the Board with those procedures and with the Ontario Act and suggesting amendments to such procedures to the Board.

*Conflict of Interest*

The services of the directors and officers of the Fund are not provided on an exclusive basis to the Fund. The directors and officers of the Fund may provide similar services to other parties, including the managers of other investment funds and labour sponsored venture capital corporations and devote a portion of their time to other investments, directorships and offices.

*Cease Trade Orders And Sanctions*

To the Fund's knowledge, except as described below, no director or proposed director of the Fund is, or within the ten (10) years prior to the date hereof has been, 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; or (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 order 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) 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. Mr. Copeland was Chairman of the board of directors until January 15, 2009 (when he resigned) of Triton Electronik Inc., a group of companies which filed for protection under the *Companies' Creditors Arrangement Act* on January 28, 2009. Mr. Copeland was a director of MTB Industries Inc. ("**MTB**") until he resigned on May 1, 2009. MTB filed for court appointed receivership on May 5, 2009.

To the Fund's knowledge, except as described below, no director or proposed director of the Fund has (i) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or (ii) been subject to any other penalties or sanctions imposed by a court or regulatory body that would

likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director. Mr. David Copeland is a director of Nuvo Research Inc. ("**Nuvo**"), which entered into a settlement agreement with the Ontario Securities Commission in 2007. The grounds upon which the settlement agreement was entered into were a result of actions of the former management of Nuvo which occurred prior to the time when Mr. Copeland became a director of Nuvo.

*Bankruptcies*

To the best of the Fund's knowledge, no director or proposed director of the Fund has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangements or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that person.

## PART V - INFORMATION CONCERNING THE FUND

### Corporate Structure and Business of the Fund

The Business, Engineering, Science & Technology Discoveries Fund Inc. is registered as a Labour Sponsored Investment Fund Corporation under the Ontario Act and, as a result, is a prescribed labour-sponsored venture capital corporation under the Tax Act. The Fund is sponsored by the International Federation of Professional and Technical Engineers – Local 164. The Sponsor, through a wholly-owned subsidiary, holds the only issued and outstanding Class B Share of the Fund. The Fund is managed by B.E.S.T. Investment Counsel Limited. The Fund has also retained B.E.S.T. Investment Counsel Limited to identify, screen, monitor and manage the Fund's investment portfolio, provide sales and marketing services and provide accounting and administrative services to the Fund. The Fund and B.E.S.T. Investment Counsel Limited have retained Convexus Managed Services Inc. to provide registrar, transfer agency, shareholder reporting, fund accounting and other shareholder administrative services. TMX Equity Transfer Services is the registrar and transfer agent for the Fund's Class L Shares.

The Fund was incorporated under the laws of Canada by articles of incorporation dated November 21, 1996, as amended December 31, 1996. The articles of incorporation of the Fund were further amended on January 30, 1998 to create a new class of shares, designated Class C Shares and issuable in series, and on January 4, 2002 to redesignate the Class A Shares as issuable in series, to designate three series of Class A Shares, being the Series I Shares, the Series II Shares and the Series III Shares and to convert old Class A Shares into Series I Shares on a one for one basis. The articles of incorporation were amended on January 22, 2008 to create a new class of shares designated as Class P Shares, issuable in series and on March 12, 2008 to create two series of shares under the Class P Shares, the Manager Series IPA Shares and the Advisor Series IPA Shares. The Fund's articles were further amended on July 24, 2009 by way of articles of arrangement, giving effect to the Fund's Plan of Arrangement (as described herein). The head office and principal place of business of the Fund is at 15 Toronto Street, Suite 400, Toronto, Ontario M5C 2E3, telephone: 1-800-795-2378, facsimile: 416-203-6630, internet: www.bestfunds.ca. The fiscal year end of the Fund is September 30th.

The business of the Fund is restricted to assisting the development of eligible businesses and to creating, maintaining and protecting employment by making investments in such businesses and, when capital is not invested in eligible businesses, investing in Liquid Investments. Although the Fund is a mutual fund, it is not subject to a variety of securities regulatory policies and restrictions which would otherwise govern a public mutual fund.

Registration of interests in and transfers of the Class L Shares, Series I are eligible for the book-based system administered by CDS Clearing and Depository Services Inc. ("**CDS**"), or any successor thereof. Those Class L Shares, Series I in the system may be purchased and transferred through a participant in the CDS depository service ("**CDS Participant**") and all rights of such holders of Class L Shares, Series I are required to be exercised through, and all payments or other property to which such holders are entitled are made or delivered by, CDS or the CDS Participant through which the holders hold such Class L Shares, Series I. Upon a purchase of any Class L Shares, Series I, the Shareholder will receive only a customer confirmation from the registered dealer which is a CDS Participant and from or through which the Class L Shares, Series I are purchased. CDS is responsible for establishing and maintaining book-based accounts for its CDS Participants having client interests in the Class L Shares, Series I.

As at February 11, 2014, the Net Asset Value of the Fund was $31,659,058.01. The Net Asset Value of the Fund is the value of the Fund's assets minus the value of the Fund's liabilities (including any accrued Incentive Performance Amount as described below), as determined in the manner described under the heading "Management – Incentive Performance Amount".

### Investment Objectives and Practices of the Fund

*Investment Objectives*

The primary objective of the Fund is to achieve long-term capital appreciation for holders of the Fund's Shares. The Fund primarily invests in equity and equity-related securities, such as preferred shares and debt obligations which

are convertible into equities, of eligible businesses which have the greatest potential for long-term growth. The Fund primarily maintains an investment focus on niche businesses and other companies with a broader market focus which are capitalizing on innovative uses of engineering, science and technology. The Fund diversifies its portfolio by investing in eligible companies that are in differing stages of development in a variety of high growth potential industries, which, from time to time, may include telecommunications, information technology, computers and life sciences.

The Fund's investments are selected on the basis of various criteria including a review of industry economics, management capability, product or service competitiveness and growth potential. The Fund is subject to certain investment restrictions under the Ontario Act. Capital not invested in eligible businesses is invested in Liquid Investments and used for the general corporate purposes of the Fund. "Liquid Investments" means, at any point in time, investments of the Fund in Reserves.

A material change in the fundamental investment objectives of the Fund will be subject to shareholder approval by majority vote.

*Statutory Investment Restrictions*

Although the Fund is a mutual fund, it is not subject to a variety of securities regulatory policies and restrictions which would otherwise govern a public mutual fund. The Fund is subject to investment restrictions contained in the Ontario Act. The Ontario Act requires Labour Sponsored Investment Fund Corporations to maintain their assets in one or more of: eligible investments, investments that were eligible investments at the time they were acquired, shares of any corporation the Fund is otherwise permitted to hold under the Ontario Act and Reserves.

Under the Ontario Act, at the end of each calendar year after 2012, the Fund is required to hold eligible investments that have a cost of not less than 60% of the capital raised on the issue of Class A Shares to shareholders that remain outstanding at the end of the applicable year and were issued before March 1, 2012 (excluding Class A Shares that have been outstanding for at least seven years and 10 months). These amounts are further adjusted to reflect net realized losses, if any, and certain taxes and penalty amounts incurred for the year.

The Fund is required each year to certify to the Minister of Finance (Ontario) that the investment requirements under the Ontario Act have been met. If the Fund fails to certify its compliance with these investment requirements, the Fund will be considered not to be in compliance, and the Fund may be liable to a penalty equal to 30% of the equity capital received on the issue of the Class A shares by the Fund during the time of non-compliance. Further, if the Fund does not meet the investment restrictions contained in the Ontario Act, it could be subject to penalty taxes and/or lose its registration as a Labour Sponsored Investment Fund Corporation. If the Fund becomes subject to penalty taxes under the Ontario Act for failure to meet the investment requirements under the Ontario Act, the Fund will be subject to penalties under the Tax Act in the same amount.

Further, if the Minister of Finance (Ontario) is of the opinion that the Fund has directly or indirectly through a transaction or series of transactions contravened the spirit and intent of the Ontario Act, the Minister of Finance (Ontario) is required to make an order that a particular investment is not an eligible investment as of the date of such transaction or series of transactions and may revoke the registration of the Fund.

In addition to the investment restrictions contained in the Ontario Act, the Fund is prohibited by its Articles from lending money, guaranteeing a loan or providing other financial assistance to a shareholder of the Fund, to a person related to a shareholder of the Fund, or to a trade union, an association or federation of trade unions, or an association or federation of worker co-operatives.

The Minister of Finance (Ontario) may revoke the registration of the Fund under the Ontario Act if the Fund:

- does not comply with the restrictions in its Articles relating to redemptions, retractions and transfers of Class A Shares;

- does not comply with the investment requirements applicable to labour-sponsored investment fund corporations;

- does not comply with the requirements of the Ontario Act, or the regulations thereunder; or

- in the opinion of the Minister of Finance (Ontario) is conducting its business or affairs in a manner contrary to the spirit and intent of the Ontario Act.

If the Ontario registration of the Fund is revoked, the Fund must pay to the Minister of Finance (Ontario) an amount equal to 15% of the equity capital received by the Fund in respect of all outstanding Class A Shares that were issued and paid for in the eight years immediately preceding the date of the revocation of the registration. If the fair market value of such shares on the date of revocation is less than the actual issue price of the shares, the amount to be paid by the Fund is reduced to 15% of the fair market value of such outstanding Class A Shares. Where the Fund's registration is revoked under the Ontario Act and as a result the Fund becomes liable to pay the amount described above under the Ontario Act, the Fund will also be liable to pay a similar tax under the Tax Act.

The Minister of Finance (Ontario) must give notice to the Fund of any proposal to revoke the Fund's registration. The Fund would have an opportunity, within 60 days of the notice of proposal, to correct any default and to appeal any revocation of its registration. Investments in Class A Shares made after the revocation of the Fund's Ontario registration will not entitle purchasers to receive Federal Credits.

The Fund is currently in compliance with all investment restrictions contained in the Ontario Act.

*Other Investment Restrictions*

The Fund has adopted the following investment restrictions and policies:

- The Fund will not pledge or mortgage any of its assets or borrow money, except as a temporary measure for the purpose of accommodating requests for redemption of Class A Shares while effecting an orderly liquidation of portfolio securities, provided that after giving effect to such borrowing the outstanding amount of all such borrowings does not exceed 5% of its net assets valued at market value at the time of such borrowing.

- The Fund will not lend its portfolio assets.

- The Fund will not make loans except in the ordinary course of making investments through the acquisition of debt obligations.

- The Fund will not make short sales of securities or purchase securities on margin.

- The Fund will not act as an underwriter of securities.

- The Fund will not create, issue or purchase puts, calls or combinations thereof except that it may obtain options to acquire additional securities or rights to sell securities of the entities in which it invests.

- The Fund will not make an investment in securities which are not fully paid, except that the Fund may purchase or agree to purchase securities in instalments or subject to conditions, or in securities which may require the Fund to make a contribution in excess of the price of the security which is unascertained at the time of acquisition of the security.

- The Fund will not invest in mortgages unless such mortgages are secured or guaranteed by the Government of Canada or any Canadian province or any agency thereof and no more than 10% of the total assets of the Fund will be invested in such mortgages.

- The portfolio assets of the Fund will be held in the custody of a Canadian chartered bank, or federally or provincially registered trust company.

The investment restrictions and policies described above may be varied from time to time by the Fund, provided that any such variation is permissible under the Ontario Act and all other applicable legislation.

**Implementation of Investment Strategy and Monitoring**

The Board is responsible for investment decisions with respect to investments other than the Liquid Investments of the Fund. The Management Advisor provides liquid portfolio investment management services to the Fund on a discretionary basis. The Management Advisor also advises the Board with respect to investment decisions other than with respect to Liquid Investments. The Board is also responsible for formulating investment policies and strategies, liaising with and monitoring the Management Advisor on the implementation of those investment policies and strategies and assessing the performance of the Fund on a quarterly basis.

The Board is responsible for the compliance of the investments with the policies and strategies of the Fund.

**Investments of the Fund**

The following table contains information with respect to the Fund's eligible investments current to February 10, 2014:

| NAME AND ADDRESS OF ENTITY | NATURE OF ENTITY'S PRINCIPAL BUSINESS | PERCENTAGE OF SECURITIES OF EACH CLASS OWNED BY THE FUND | AMOUNT INVESTED AT COST |
|---|---|---|---|
| **ACUITYADS INC.**<br>5775 Yonge Street<br>Suite 1802<br>Toronto, Ontario<br>M2M 4J1 | AcuityAds Inc. is in the online advertising industry. The company's technology facilitates real-time bidding, which is the process through with advertisers connect with online publishers in a live-auction process which results in ad impressions on web pages. | 27.68% of 16.50% Promissory Note, due January 9, 2016 | $1,107,000 |
| **ARCTICAX INC.**<br>Mars Center, South Tower<br>101 College Street, Suite 335<br>Toronto, Ontario<br>M5G 1L7 | ArcticDx Inc., a molecular diagnostic company, designs, develops, and delivers molecular diagnostic tests in Canada. Its portfolio comprises Colo-Risk, a molecular test that predicts an individual's risk of developing colorectal cancer; and Macula Risk, a prognostic DNA test for predicting genetic predisposition to age-related macular degeneration. The company was founded in 2005 and is based in Toronto, Canada. | 26.67% of 21% Promissory Note, due September 1, 2014 | $600,000 |
| **AXENTRA CORP.**<br>377 Dalhousie Street<br>Suite 210<br>Ottawa, Ontario<br>K1N 9N8 | Axentra Corp. is an Ottawa based software company whose main product, HipServ 2.0, offers consumers a platform to centralize and manage their digital data while integrating this data with other appliances, such as televisions, games stations and smart phones. | 0.09% of Common Shares | $0.00 |
| **BROMPTON CORPORATION**<br>181 Bay Street<br>Suite 2930, P.O. Box 793<br>Toronto, Ontario<br>M5J 2T3 | Brompton Corporation is a leading provider of structured investment products for individuals, institutions and corporate clients. The company offers innovative, well-conceived products with fair terms at low costs, supported by high levels of corporate governance. | 1.34% of Common Shares | $0.00 |

| NAME AND ADDRESS OF ENTITY | NATURE OF ENTITY'S PRINCIPAL BUSINESS | PERCENTAGE OF SECURITIES OF EACH CLASS OWNED BY THE FUND | AMOUNT INVESTED AT COST |
|---|---|---|---|
| **CANADIAN SECURITIES EXCHANGE**<br>220 Bay Street, 9th Floor<br>Toronto, Ontario<br>M5J 2W4 | The Canadian Securities Exchange, or CSE, is operated by CNSX Markets Inc. Recognized as a stock exchange in 2004, the CSE began operations in 2003 to provide a modern and efficient alternative for companies looking to access the Canadian public capital markets. | 5.78% of Common Shares | $5,844,694 |
| **COMPONENTART INC.**<br>511 King Street West, Suite 400<br>Toronto, Ontario<br>M5V 1K4 | ComponentArt Inc. is a leading vendor of developer tools and business intelligence solutions. Its mission is to help people gain insight from their data and access information through any device. Its products empower its customers and boost user productivity. | 50.00% of 15.50% Promissory Note, due July 20, 2015 | $350,000 |
| **COUCH COMMERCE INC.**<br>82 Peter Street<br>Toronto, Ontario<br>M5V 2G5 | The company operates TeamBuy which is one of the largest on-line daily deal companies in Canada. TeamBuy provides deals on a wide range of products and services in each of the local regions it serves. Some of the categories of services offered include restaurants, home care, entertainment, vacations, and health and beauty. | 32.33% of 14.50% Promissory Note, due August 22, 2015 | $970,000 |
| **DISCLOSURENET INC.**<br>330 Bay Street<br>Suite 200<br>Toronto, Ontario<br>M5H 2S8 | DisclosureNet Inc. specializes in developing solutions for organizations that require secure data focused internet applications which utilize microsoft.net technology. The company's core product provides a targeted method of accessing corporate disclosure information in Canada and the United States. | 0.80% of Class A Common Share Purchase Warrants expiring April 29, 2014<br>0.26% of Preferred Share Purchase Warrants expiring April 29, 2014<br>86.02% Preferred Shares<br>31.72% Class B Common Shares | $6,090,000 |
| **ECHOWORX CORPORATION**<br>4101 Yonge Street<br>Suite 708<br>Toronto, Ontario<br>M2P 1N6 | Echoworx Corporation is a global provider of email and data encryption for enterprises. Echoworx partners with leaders in technology and internet communications to provide encryption services to the mass market. Echoworx's encryption products include Encrypted Mail, Encrypted Mail Gateway, Encrypted Documents, Encrypted Document Presentment and Encrypted Message eXchange. | 52.22% of 24.00% Promissory Note, due August 31, 2014 | $1,973,229 |
| **ERMS CORPORATION**<br>2916 South Sheridan Way<br>Suite 200<br>Oakville, Ontario<br>L6J 7J8 | Emergency Response Management Services (ERMS) is a phone and web enabled business solution that resolves complicated aspects of crisis management and response coordination and control. By integrating computer and voice technology, the crisis management software solution provides functionality to support companies in meeting the objectives of life safety, business continuity and brand image. | 75.70% of Preferred Shares<br>75.70% of Common Shares<br>50% of 20.00% Promissory Note, due January 15, 2015 | $4,010,338 |

| NAME AND ADDRESS OF ENTITY | NATURE OF ENTITY'S PRINCIPAL BUSINESS | PERCENTAGE OF SECURITIES OF EACH CLASS OWNED BY THE FUND | AMOUNT INVESTED AT COST |
|---|---|---|---|
| **FILETREK INC.**<br>16 Fitzgerald Road, Suite 150<br>Ottawa, Ontario<br>K2H 8R6 | FileTrek Inc. offers the first all-in-one file sharing and tracking solution on the market. The technology allows users to share information and track the location of files, see who has worked on it, what changes have been made and how files within a project are related. | 18.11% Class A Preferred Shares<br>18.50% of Class A1 Preferred Shares | $3,522,850 |
| **GEMINARE INC.**<br>277 Richmond Street West<br>Toronto, Ontario<br>M5V 1X1 | Geminare Inc. provides its Business Continuity offering, the industry's first hosted SaaS platform that provided Business Continuity solutions for small to mid-sized businesses. | 100% Preferred Shares<br>19.17% of Common Shares | $4,000,000 |
| **HEALTH CARE SERVICES INTERNATIONAL INC.**<br>460 Richmond Street West<br>Suite 100<br>Toronto, Ontario<br>M5V 1Y1 | Health Care Services International Inc. operates Novus Health which offers a single-source solution to help insurance companies manage costs and improve the health of their members. Members have one source to find answers to questions, understand their options, learn the right questions to ask, and identify resources for themselves and their family. | 0.33% of Common Shares | $0.00 |
| **INFONAUT INC.**<br>255 Consumers Road<br>Suite 500<br>Toronto, ON<br>M2J 1R4 | Infonaut is a privately held Health Technology company based in Toronto with expertise in disease surveillance, infection prevention and control, using state of the art real-time location system (RTLS) technology. | 0.27% of Common Shares | $0.00 |
| **INTELLIGENT MECHATRONIC SYSTEM INC.**<br>436 King Street North<br>Waterloo, ON<br>N2J 2Z5 | The company is a Waterloo based provider of telematics platforms primarily aimed at the consumer market. The company's main product is utilized by auto insurance companies to gather information related to an individual's driving habits. | 34.00% of 15.00% Promissory Note, due September 15, 2015<br>46.75% of 15.00% Promissory Note, due February 5, 2013<br>0.01% of Common Share Purchase Warrants expiring December 5, 2018 | $2,188,750 |
| **IOGEN CORPORATION**<br>310 Hunt Club Rd. East<br>Ottawa, Ontario<br>K1V 1C1 | Iogen Corporation works with partners to deliver the most efficient, reliable and cost-effective solutions for cellulosic biofuel and biochemical production. | 5.3% of Common Shares | $3,274,202 |
| **PITCHPOINT SOLUTIONS INC.**<br>276 King Street West, Suite 302<br>Toronto, Ontario<br>M5V 1J2 | PitchPoint Promptu is an on-demand platform providing powerful web tools or a system-to-system interface that allows clients to streamline data entry or import the loan file and instantly validate key data across billions of public records from leading national databases. Clients can manage their users, order reports, track the status of all reports for a specific loan, and archive and retrieve reports. | 50.00% of 12.0% Convertible Debenture, due November 18, 2016<br>50.00% of Common Share Purchase Warrants expiring November 18, 2016 | $1,400,000 |

| NAME AND ADDRESS OF ENTITY | NATURE OF ENTITY'S PRINCIPAL BUSINESS | PERCENTAGE OF SECURITIES OF EACH CLASS OWNED BY THE FUND | AMOUNT INVESTED AT COST |
|---|---|---|---|
| **POWERBAND GLOBAL INC.**<br>3350 South Service Road<br>Suite 102<br>Burlington, Ontario<br>L7N 3M6 | PowerBand Global Inc. works with car dealers to simplify the process of acquiring and disposing vehicles by bringing together dealerships, commercial enterprises such as rental companies, and auto finance. The company provides software and a suite of services to help clients improve their auto dealer business. | 0.41% of Common Share Purchase Warrants expiring October 2, 2015 | $0 |
| **SIGNIFI SOLUTIONS INC.**<br>2100 Matheson Blvd.<br>Suite 100<br>Mississauga, Ontario<br>L4W 5E1 | The company's goal is to develop self-service solutions that transcend traditional consumer expectations, solve today's challenges at retail and inspire tomorrow's possibilities. Since the company's inception 8 years ago, Signifi has designed solutions to deliver choice, convenience and simplicity through an engaging experience. Signifi product lines include Automated Retail Technologies and Sales Assist. | 50.00% of 20.00% Promissory Note, due December 23, 2014 | $150,000 |
| **SKURA CORP.**<br>2275 Upper Middle Road East<br>Suite 200<br>Oakville, Ontario<br>L6H 0C3 | The company provides a mobile sales enablement platform which provides the ability to have anytime access to account information for presenting, sharing and tracking of digital content from any device. | 32.80% of 14.00% Promissory Note, due September 13, 2016<br>28.50% of Common Share Purchase Warrants expiring September 13, 2018 | $820,000 |
| **TRANSGAMING INC.**<br>431 King Street West<br>Suite 600<br>Toronto, ON<br>M5V 1K4 | TransGaming Inc. specializes in developing multiplatform interactive entertainment. The company distributes content through its GameTree platform. | 28.86% of 10.0% Promissory Note, due July 5, 2016<br>28.86% of Common Share Purchase Warrants expiring July 5, 2018<br>72.57% of Common Share Purchase Warrants expiring July 5, 2016<br>0.01% of Common Shares | $1,010,000 |

**Valuation Policies and Procedures of the Fund**

*Quarterly Valuations*

The Board is responsible for determining the value of the Fund's investments in accordance with the policies of the Fund as set out below.

As of the last day of March, June, September and December in each year, the Board determines the value (the "**Quarterly Valuation**") of the Fund's assets, on the basis of policies and procedures developed and approved by the Board for determining the estimated fair value of such assets. Actual value realized when the Fund ultimately disposes of assets may vary from the current estimated fair value and the variation may be material.

The Board will determine the valuation of the Fund's investments in Portfolio Companies for which no published market exists on a quarterly basis and will approve the valuation of the Net Asset Value of the Fund and the Net Asset Value per each series of outstanding Class A Shares and Class L Shares on a quarterly basis.

As described below, an Incentive Participation Amount becomes payable to the Manager and the Management Advisor upon realization of gains on venture investments beyond a cumulative threshold. Any amounts payable are recorded as a liability and expense of the Fund. The Fund will recognize a liability for an Incentive Participation Amount for realized gains and income and a contingent liability for an Incentive Participation Amount for unrealized gains once the minimum threshold has been achieved.

The Fund updates the Quarterly Valuations on the last Business Day of each week prior to the next Quarterly Valuation and at such other times as the Chief Executive Officer and Chief Financial Officer (the "**Senior Officers**") of the Fund may in their discretion deem appropriate ("**Weekly Valuation Update**"). The Weekly Valuation Updates will be based on the most recent Quarterly Valuation and will take into account any material change in the assets of the Fund. A Weekly Valuation Update shall apply until such time as the next Weekly Valuation Update or Quarterly Valuation is published. The Board will approve a Weekly Valuation Update where the Net Asset Value of the Fund and the Net Asset Value per series of the Class A Shares and Class L Shares is expected to change by more than 5%. At the discretion of the Senior Officers, the Fund may update the valuation of its shares more often, including on a daily basis if warranted.

*Independent Valuation*

Under applicable securities laws, the Fund is required to provide fair value information regarding its investment portfolio in one of two ways: (i) to provide the individual fair value for each investment in its statement of investment portfolio, or (ii) to provide an independent valuation report that will be filed with the Ontario Securities Commission. The Fund engaged PricewaterhouseCoopers LLP, the Fund's independent auditor, to satisfy this requirement. PricewaterhouseCoopers LLP performed certain procedures on the value of the Fund's venture investment portfolio as at September 30, 2013 as part of its audit and report on the Fund's September 30, 2013 financial statements. The PricewaterhouseCoopers LLP personnel responsible for performing the procedures are members in good standing with the Canadian Institute of Chartered Business Valuators and have experience in valuing both private and public companies. They have no present or prospective financial interest in the securities of the Fund and the fees received by PricewaterhouseCoopers LLP are not contingent on the conclusions reached.

The procedures performed do not constitute an independent valuation (i.e., a comprehensive valuation, estimate of value or calculation of value in accordance with the standards of the Canadian Institute of Chartered Business Valuators) of the Fund, the net assets of the Fund or the individual investments of the Fund, nor do they constitute a "valuation service" as defined in the Canadian Institute of Chartered Accountants Independence Requirements. It is the responsibility of the Board to set appropriate valuation policies, to ensure compliance with applicable legislation and regulations, to determine the value of the Fund's assets, the Net Asset Value of the Fund and the Net Asset Value of the Class A Shares and the Class L Shares. If the Fund is required to obtain an independent valuator to prepare the appropriate report, the engagement would likely amount to a significant expense to the Fund.

The process of valuing venture investments is inevitably based on inherent uncertainties and the resulting values may differ, perhaps materially, from the amounts ultimately realized. Also, because these venture investments have been valued on a going concern basis, the values may differ compared to those realized through a forced liquidation.

*Audit of Financial Statements*

In the course of preparing its report in the Fund's annual financial statements, the Fund's auditors conducted their audit of the financial statements in accordance with Canadian generally accepted auditing standards.

*Net Asset Value of the Fund*

The Net Asset Value of the Fund is determined as at the close of business on the last Business Day of each week by subtracting the aggregate amount of the Fund's liabilities from the aggregate of: (a) the value of its assets for which a published market exists on the basis of the valuation of such assets as of the relevant date; (b) the value of its

assets for which no published market exists on the basis of the valuation of such assets as of that date; and (c) the book value of any other assets of the Fund. The Board must approve the Net Asset Value of the Fund at least four times each year and the Senior Officers must approve the Net Asset Value of the Fund for each other Weekly Valuation Update.

*Calculation of Net Asset Value of the Series of Shares*

The net asset value of each series of Class A Shares and Class L Shares is calculated by Convexus Managed Services Inc. as of each Weekly Valuation Update and at such other time as the Senior Officers may determine. The Board must approve the net asset value per share of each series of Class A Shares and Class L Shares at least four times per year and the Senior Officers must approve the net asset value per series of Class A Shares and Class L Shares in each other instance.

In general terms, the net asset value of a series of Class A Shares or Class L Shares is determined by determining the assets of the Fund attributable to the series of shares and subtracting the liabilities of the Fund attributable to that series of shares. The assets and liabilities of a series would include that series' proportionate share of the stated capital of the Class B Shares and Class P Shares, the assets and liabilities of the Fund specifically attributed to the series by the directors, as well as that series' proportionate share of the Fund's unattributed assets and liabilities, all as determined by the directors. A series' proportionate share is generally based on its proportionate share of the Net Asset Value of the Fund, plus its share of attributed cumulative expenses.

*Calculation of Net Asset Value per Share*

The net asset value per share for each series of Class A Shares and Class L Shares, as applicable, will be the amount obtained by dividing the net asset value of the applicable series of shares by the number of the applicable series of shares outstanding as of a particular Valuation Date. The Fund will make available for publication the net asset value of each outstanding series of Class A Shares and Class L Shares as at each Valuation Date at no cost to the public.

The net asset value per series of Class A Share or Class L Share as determined in the foregoing manner from time to time may differ from the prices at which shareholders may sell (subject to any restrictions on the transfer of the Class A Shares) such shares to third party purchasers.

**Directors and Officers of the Fund**

The directors of the Fund are those to be elected at the Meeting. The current officers of the Fund are as follows:

| **Name and Municipality of Residence** | **Position with the Fund** | **Principal Occupation** |
|---|---|---|
| JOHN MICHAEL ANTHONY RICHARDSON<br>Waterdown, Ontario, Canada | Chief Executive Officer | Chief Executive Officer of each of the Fund and B.E.S.T. Total Return Fund Inc., President and a director of each of the Manager and Absolute Private Counsel Limited, and President, sole director and corporate secretary of BEST Capital Administration Inc. |
| THOMAS WILLIAM ROBERT LUNAN<br>Toronto, Ontario, Canada | Chief Financial Officer | Chief Financial Officer of each of the Fund and B.E.S.T. Total Return Fund Inc. and Vice-President of the Manager and Vice- President and a director of Absolute Private Counsel Limited |
| ALAN VEERIAH CHETTIAR<br>Toronto, Ontario, Canada | Corporate Secretary | Corporate Secretary of each of the Fund and B.E.S.T. Total Return Fund Inc. and Vice-President of the Manager |

***John Michael Anthony Richardson*** is the Chief Executive Officer of each of the Fund and B.E.S.T. Total Return Fund Inc., and the President and a director of Absolute Private Counsel Limited. Mr. Richardson is the founder, President and a director of the Manager and President, sole director and corporate secretary of BEST Capital Administration Inc. Currently, he serves as a director on a number of private company boards. He is a Chartered Accountant and a Chartered Business Valuator, and holds a Masters in Business Administration degree from the State University of New York and a Certificate Pratique de la Langue Françaises from the Université de Savoie in France.

***Thomas William Robert Lunan*** is the Chief Financial Officer of each of the Fund and B.E.S.T. Total Return Fund Inc., and the Vice-President of the Manager and Vice President and a director of Absolute Private Counsel Limited. Prior to joining the Manager, Mr. Lunan was a Manager, Company Listings at the Toronto Stock Exchange (the "TSX") and, prior to that, Mr. Lunan was at the Ontario Securities Commission in the Corporate Finance Branch. Mr. Lunan is a past director of the Toronto CFA Society, a director of Canadian World Fund Limited, a TSX-listed closed-end fund, and a director of several private companies. Mr. Lunan is a Chartered Accountant and has been awarded the Chartered Financial Analyst designation.

***Alan Veeriah Chettiar*** is the Corporate Secretary of each of the Fund and B.E.S.T. Total Return Fund Inc. Mr. Chettiar is a Vice-President with the Manager and is involved in conducting due diligence on prospective opportunities as well as business development planning and regulatory compliance. Prior to joining the Manager, Mr. Chettiar was involved in a range of business functions, including managerial roles in sales and marketing at Molson Canada, and several smaller businesses. He has a Bachelor of Laws degree from Dalhousie Law School and a Bachelor of Commerce degree with a Major in Global Business Management from St. Mary's University. Mr. Chettiar recently completed the MBA Program at the Ryerson University.

**Management**

*The Manager*

The Fund is managed by B.E.S.T. Investment Counsel Limited which was incorporated on November 4, 1998 under the *Business Corporations Act* (Ontario). The Manager was retained by the Fund pursuant to an agreement dated August 1, 2002 assigned from B.E.S.T. Capital Management Ltd. to the Manager effective September 1, 2003, amended and restated as of January 22, 2008 and further amended as of December 18, 2008. Pursuant to the Management Agreement, the Manager is responsible for all aspects of the management, operations and administration of the Fund, all subject to the direction and control of the Board of Directors. Under applicable securities legislation, the Manager and Sponsor may be regarded as a promoter of the Fund.

The Manager carries on business at 15 Toronto Street, Suite 400, Toronto, Ontario M5C 2E3, 1-800-795-2378, and can be reached at info@bestfunds.ca. The website address of the Manager is www.bestfunds.ca.

*Officers and Directors of the Manager*

The name, municipality of residence, office and principal occupation for the last five years of each of the directors and officers of the Manager are set out below:

| Name and Municipality of Residence | Position with the Manager | Principal Occupation |
|---|---|---|
| David Rodney Kenneth Bernard<br>Allen, Texas, U.S.A. | Director | Global Innovation Strategy & Services, PepsiCo. Business and Information Solutions |
| Richard Alexander Brown<br>Toronto, Ontario, Canada | Director | Consultant |
| Alan Veeriah Chettiar<br>Toronto, Ontario, Canada | Vice-President | Corporate Secretary of each of the Fund and B.E.S.T. Total Return Fund Inc. and Vice-President of the Manager |

| Name and Municipality of Residence | Position with the Manager | Principal Occupation |
|---|---|---|
| Thomas William Robert Lunan<br>Toronto, Ontario, Canada | Vice President | Chief Financial Officer of each of the Fund and B.E.S.T. Total Return Fund Inc., Vice-President of the Manager and Vice-President and a director of Absolute Private Counsel Limited |
| John Michael Anthony Richardson(1)<br>Waterdown, Ontario, Canada | President and Director | Chief Executive Officer of each of the Fund and B.E.S.T. Total Return Fund Inc., President and a director of each of the Manager and Absolute Private Counsel Limited, and President, sole director and corporate secretary of BEST Capital Administration Inc. |
| Robert John Roy<br>Toronto, Ontario, Canada | Director | Consultant |

(1) The Manager is a wholly-owned subsidiary of 1209762 Ontario Inc. Mr. Richardson controls 1209762 Ontario Inc. and is a director and officer of 1209762 Ontario Inc. Mr. Richardson is a director, officer of, and indirectly controls, the Manager. Mr. Richardson also owns all of the issued and outstanding voting common shares of B.E.S.T. Capital Administration Inc., which provides services to the Manager. The Fund pays B.E.S.T. Capital Administration Inc. for certain rent and storage costs.

A brief biographical description for Messrs. Richardson, Lunan and Chettiar are set out under the heading "Directors and Officers of the Fund". The following is a brief biographical description for Messrs. Bernard, Brown and Roy:

***David Rodney Kenneth Bernard*** leads Global Innovation Strategy & Services for PepsiCo. Business and Information Solutions. Mr. Bernard has held a number of leadership roles in both finance and information technology over 17 years at PepsiCo Inc. for its international and North America businesses. PepsiCo Inc. manufactures, markets, and sells snacks and beverages worldwide. Mr. Bernard is a Chartered Accountant and holds an Honours Bachelor of Commerce degree from the University of Windsor and a Bachelor of Arts (Economics) degree from the University of Western Ontario.

***Richard Alexander Brown*** is a consultant to and an investor in various finance, security software and manufacturing companies. Mr. Brown was the founder of H.D. Brown Enterprises Ltd., one of the largest sporting goods distributors and manufacturers in Canada until its sale in 1995. Mr. Brown is also a director of various private companies.

***Robert John Roy*** is currently a consultant to a number of business ventures. He was the Managing Director of Equity and Head of Ventures for Roynat Capital, a subsidiary of a Canadian chartered bank, from January 1996 to July 2012. While at Roynat, Mr. Roy was involved in sourcing, structuring, investing, monitoring and divesting its equity investments as well as representing Roynat's interests on the board of numerous investee companies. Mr. Roy has over 30 years experience in mergers and acquisitions, private equity and venture capital. He received his Chartered Accountant designation in 1981 and received a Bachelor of Commerce degree from McMaster University in 1978. He served as a Director of the Canadian Venture Capital Association from 1991 to 1997 and was Conference Chairman in 1992.

*Independent Review Committee*

Pursuant to NI 81-107, an IRC has been established by the Manager. In accordance with NI 81-107, the IRC consists of three independent members. The current members of the IRC are Geoffrey Ralph Bedford, Aleksander Daskalovic and Brent William Bere. Each member of the IRC is independent in accordance with NI 81-107. The IRC is responsible for overseeing all conflict of interest matters relating to the operation of investment funds managed by the Manager and its affiliates, including the Fund. The Manager is required to identify conflict of interest matters in connection with its management of the Fund and the mandate of the IRC is to review and provide input or recommendation to the Manager on all conflict of interest matters that the Manager has referred to the IRC.

Certain conflict of interest matters are expected to arise in connection with the allocation of investments among the Fund and other funds managed by the Manager and its affiliates. For these and other recurring conflict of interest matters the IRC has established standing instructions to the Manager and may continue to do so in the future. NI 81-107 also imposes obligations upon the Manager to establish written policies and procedures for dealing with conflict of interest matters, maintain records in respect of these matters and provide assistance to the IRC in carrying out its functions. The IRC has adopted a written charter which it will follow when performing its functions and will be subject to requirements to conduct regular assessments and provide reports to the Fund and its shareholders in respect of its functions. In performing their duties, members of the IRC are required to act honestly, in good faith and in the best interests of the Fund and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

The reasonable fees and expenses of members of the IRC, as well as a premium for insurance coverage for such members, are paid by the Fund and other funds managed by the Manager and its affiliates and allocated in a fair and equitable manner. For the 2013 fiscal year, the Chairman of the IRC received an annual fee of $7,500. Each other member received an annual retainer of $5,500 and each IRC member was entitled to a $660 per meeting fee. The aggregate fees paid in connection with the IRC for the period from October 1, 2012 to September 30, 2013 attributed to the Fund was $11,587. In addition, the Fund has agreed to indemnify the members of the IRC against certain liabilities.

The IRC will prepare, at least annually, a report of its activities for shareholders which will be available on the Fund's website www.bestfunds.ca or at a shareholder's request, at no cost, by contacting the Manager at 15 Toronto Street, Suite 400, Toronto, Ontario M5C 2E3 or at info@bestfunds.ca.

*The Sponsor*

The sponsor of the Fund is the International Federation of Professional and Technical Engineers – Local 164. The International Federation of Professional and Technical Engineers is an international union representing approximately 80,000 members including approximately 9,000 members in Ontario and approximately 85 members in Local 164. The Sponsor, through a wholly-owned subsidiary, 1208733 Ontario Inc. (the "**Sponsor Corp.**"), holds the only issued and outstanding Class B Share of the Fund.

Pursuant to a sponsor agreement dated as of December 30, 1996 as amended and restated between the Fund, the Sponsor, the Sponsor Corp. and B.E.S.T. Investment Counsel Limited dated as of January 22, 2008 (the "**Sponsor Agreement**"), the Sponsor has agreed to support the election of directors on the basis that two directors will be nominated by the Sponsor, and that two directors will be nominated by the Sponsor upon the recommendation of the Manager. The articles of incorporation of the Fund provide that one-third of the directors are elected by the holders of the Class A Shares and Class L Shares and where such number is not a whole number it shall be rounded down to the nearest whole number. The balance of the directors are elected by the holders of Class B Shares, provided that such balance shall be not less than a majority of the directors.

The Sponsor Agreement is renewable on one-year terms and may be terminated by either party on six months' prior notice and in certain other specified circumstances involving a material breach of the agreement.

While members of the Sponsor may subscribe for Class A Shares and Class L Shares, neither the Sponsor nor its members are required to make any investment in the Fund. Individuals investing in Class A Shares or Class L Shares need not be members of or have any connection with the Sponsor. Mr. William D. Duncan is a director of the Fund and a director and officer of the Sponsor Corp., and Mr. Robert Spaans is a director of the Fund and a director and officer of the Sponsor Corp.

The Sponsor is paid an annual fee equal to 0.15% of the Net Asset Value of the Fund, calculated and paid monthly in arrears. During the fiscal year ended September 30, 2013, the Sponsor was paid fees in the aggregate amount of $52,256 pursuant to the Sponsor Agreement.

*Management Agreement*

The Management Agreement provides that the Manager shall exercise its powers and discharge its duties honestly, in good faith with a view to the best interests of the Fund, and in connection therewith shall exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances. Under the Management Agreement, the Fund has agreed to indemnify the Manager and the Manager's officers, directors, employees, agents and shareholders from any and all actions, claims, suits, causes of action, losses, charges, damages and expenses (including reasonable legal fees and disbursements) suffered or incurred by the Manager save and except where the liability relates to the breach by the Manager of its standard of care.

The Manager shall not, without 24 hours' prior written notice to the Chairman of the Fund, engage in other activities similar to those relating to the activities performed under the Management Agreement for the Fund.

Pursuant to the Management Agreement, the Manager receives a management fee of 1.50% per annum of the Net Asset Value of the Fund, calculated and paid monthly in arrears. In addition, the Manager is entitled to an incentive participation amount ("**IPA**") in respect of each fiscal year based on the realized gains and cumulative performance of the Fund.

The holder of Manager Series IPA Shares will be entitled to receive dividends ("**Manager IPA Dividends**") based upon realized gains and income on eligible investments. The Manager IPA Dividends shall be equal to four percent (4%) of all realized gains and income earned on each particular eligible investment in excess of a fifteen percent (15%) annual average rate of return earned from the particular eligible investment since the date of investment. Before any Manager IPA Dividends can be paid the conditions described under "Incentive Participation Amount" must be met. The IPA is calculated and, if payable, paid quarterly in arrears usually in the form of capital gains dividends.

Unless the Management Agreement is otherwise terminated in accordance with its terms, the agreement will terminate upon the dissolution, winding up or termination of the Fund. The Management Agreement may be terminated by the Fund in certain circumstances, including certain events of bankruptcy affecting the Manager or if the Manager is in material breach of the agreement which is not cured within 20 Business Days' after notice is given to the Manager of such breach.

Currently, if the holder of the Manager Series IPA Shares is terminated as a manager of the Fund, the holder of the Manager Series IPA Shares will be entitled to receive an amount equal to all declared but unpaid Manager IPA Dividends payable promptly and an amount equal to a *pro rata* share (calculated on the basis of the number of days in the relevant calendar quarter in which the holder of the Manager Series IPA Shares was the manager of the Fund) of the cumulative dividends to which the holder of the Manager Series IPA Shares would have been entitled, calculated as of the last day of the calendar quarter in which the termination occurs, on the basis of gains and income on eligible investments realized in such quarter.

On a dissolution, which includes a liquidation or winding-up, in addition to an amount equal to the amount paid for the issue of the Manager Series IPA Shares, the holder of the Manager Series IPA Shares will be entitled to receive an amount equal to all declared but unpaid Manager IPA Dividends and an amount equal to the cumulative dividends to which the holder would have been entitled in respect of any realized gains and income on all eligible investments disposed of in connection with such a dissolution, but shall not otherwise be entitled to a distribution of assets on the dissolution of the Fund.

During the fiscal year ended September 30, 2013, B.E.S.T. Investment Counsel Limited was paid fees in the aggregate amount of $587,765 (including taxes) pursuant to the Management Agreement. An IPA was paid to the Manager for the fiscal year ended September 30, 2013 in the amount of $36,941.

*Management Advisor Agreement*

The Fund and B.E.S.T. Capital Management Ltd. entered into a management advisor agreement dated August 1, 2002 with B.E.S.T. Investment Counsel Limited, which was amended and restated as of January 22, 2008

and amended as of December 18, 2008 by the Fund and B.E.S.T. Investment Counsel Limited (the "**Management Advisor Agreement**") pursuant to which B.E.S.T. Investment Counsel Limited, among other things, has been retained to identify, screen and analyse investment opportunities and monitor and manage the Fund's investments.

Under the Management Advisor Agreement, the Management Advisor is responsible for identifying, screening and analyzing investment opportunities for the Fund. Analysis of investment opportunities by the Management Advisor includes assessing growth potential, anticipated profit levels and management shareholder teams of potential investee companies. The Management Advisor then conducts follow-up due diligence upon selected investment opportunities which are in line with the Fund's investment objectives and practices and in accordance with applicable statutory requirements. The Management Advisor presents investment opportunities for the Fund's investment portfolio in a manner consistent with the policies and strategies as set forth in the Management Advisor Agreement. The Management Advisor monitors the investments and provides quarterly reports to the Board. The Management Advisor's ongoing monitoring and active involvement with investee companies often includes sitting on the board of directors of investee companies. The Management Advisor makes investment recommendations to the Fund concerning the timing, terms and methods of acquisition and disposition of investments in eligible businesses. The Management Advisor also provides liquid portfolio investment management services to the Fund on a discretionary basis. The Board of Directors is responsible for investment decisions with respect to investments other than the Liquid Investments of the Fund.

The principals of the Management Advisor who have primary responsibility for the investment advisory affairs of the Fund are Messrs. John M.A. Richardson, Thomas W.R. Lunan and Alan V. Chettiar. Biographies for these individuals are set out under "Directors and Officers of the Fund". The investment decisions made by these individuals with respect to eligible investments are subject to the approval of the Board. The investment decisions made by these individuals with respect to all other investments are not subject to the approval of the Board or the oversight, approval or ratification of a committee.

The Management Advisor Agreement provides that the Management Advisor shall exercise its powers and discharge its duties honestly, in good faith, with a view to the best interests of the Fund and in connection therewith shall exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances.

The services of the Management Advisor (and its employees) are not exclusive to the Fund. Accordingly, the Management Advisor (and its employees) may provide services to other parties similar to those services provided to the Fund, subject to the restrictions and provisions contained in the Management Advisor Agreement.

Pursuant to the Management Advisor Agreement, B.E.S.T. Investment Counsel Limited is entitled to an annual management advisory fee of 1.75% of the Net Asset Value of the Fund calculated and paid monthly in arrears.

The holder of Advisor Series IPA Shares will be entitled to receive dividends ("**Advisor IPA Dividends**") based upon realized gains and income on eligible investments. The Advisor IPA Dividends shall be equal to the sum of (1) all realized gains and income earned from each particular eligible investment in excess of a twelve percent (12%) annual average rate of return, up to and including a fifteen percent (15%) annual average rate of return earned from the particular eligible investment since the date of investment; and (2) sixteen percent (16%) of all realized gains and income earned on each particular eligible investment in excess of a fifteen percent (15%) annual average rate of return earned from the particular eligible investment since the date of investment. Before any Advisor IPA Dividends can be paid the conditions described under "Incentive Performance Amount" must be met. The annual IPA is calculated and, if payable, paid quarterly in arrears, usually in the form of capital gains dividends.

Unless the Management Advisor Agreement is otherwise terminated in accordance with its terms, the agreement will terminate upon the dissolution, winding up or termination of the Fund. The Management Advisor Agreement may be terminated by the Fund in certain circumstances, including certain events of bankruptcy affecting the Management Advisor, if the Management Advisor commits an act of fraud or loses its registration with the Ontario Securities Commission or if the Management Advisor is in material default in the performance of its duties.

Currently, if the holder of the Advisor Series IPA Shares is terminated as a management advisor of the Fund, the holder of the Advisor Series IPA Shares will be entitled to receive an amount equal to all declared but unpaid Advisor IPA Dividends payable promptly and an amount equal to a *pro rata* share (calculated on the basis of the number of days in the relevant calendar quarter in which the holder of the Advisor Series IPA Shares was the management advisor of the Fund) of the cumulative dividends to which the holder of the Advisor Series IPA Shares would have been entitled, calculated as of the last day of the calendar quarter in which the termination occurs, on the basis of gains and income on eligible investments realized in such quarter.

On a dissolution, which includes a liquidation on winding-up, in addition to an amount equal to the amount paid for the issue of the Advisor Series IPA Shares, the holder of the Advisor Series IPA Shares will be entitled to receive an amount equal to all declared but unpaid Advisor IPA Dividends and an amount equal to the cumulative dividends to which the holder would have been entitled in respect of any realized gains and income on all eligible investments disposed of in connection with such a dissolution, but shall not otherwise be entitled to a distribution of assets on the dissolution of the Fund.

During the fiscal year ended September 30, 2013, B.E.S.T. Investment Counsel Limited was paid fees in the amount of $677,999 (including all applicable taxes) pursuant to the Management Advisor Agreement. An IPA was paid to the Management Advisor for the fiscal year ended September 30, 2013 in the amount of $493,600.

The Management Advisor carries on business at 15 Toronto Street, Suite 400, Toronto, Ontario M5C 2E3. The name, municipality of residence and position with B.E.S.T. Investment Counsel Limited of each director and officer of B.E.S.T. Investment Counsel Limited is set out under "Officers and Directors of the Manager" above.

*Sales and Marketing Services Agreement*

The Fund and B.E.S.T. Capital Management Ltd. entered into an amended and restated sales and marketing services agreement dated July 10, 2003 with B.E.S.T. Investment Counsel Limited which was amended and restated as of January 22, 2008 as amended July 24, 2009 by the Fund and B.E.S.T. Investment Counsel Limited, as management advisor (the "**Sales and Marketing Services Agreement**") pursuant to which B.E.S.T. Investment Counsel Limited has been retained to provide sales, marketing and customer support services to the Fund. The Sales and Marketing Services Agreement is renewable for successive one-year periods, provided that either party may terminate the Sales and Marketing Services Agreement in certain circumstances. If otherwise terminated by the Fund, a fee may be payable to B.E.S.T. Investment Counsel Limited. The Management Advisor is entitled to indemnification in the specified circumstances.

Pursuant to the Sales and Marketing Services Agreement, B.E.S.T. Investment Counsel Limited receives a fee, payable monthly in arrears, equal to one-twelfth of: (1) the aggregate of: (i) 0.425% per annum of that portion of the Net Asset Value of the Fund less than or equal to $50,000,000; (ii) 0.4% per annum of that portion of the Net Asset Value of the Fund greater than $50,000,000 but less than or equal to $100,000,000; (iii) 0.375% per annum of that portion of the Net Asset Value of the Fund greater than $100,000,000 but less than or equal to $150,000,000 and (iv) 0.35% per annum of that portion of the Net Asset Value of the Fund greater than $150,000,000, (2) less $8,000. The annual sales and marketing fee, payable to the Management Advisor, is calculated and paid monthly in arrears. The Management Advisor is entitled to indemnification from the Fund in certain circumstances.

During the fiscal year ended September 30, 2013, B.E.S.T. Investment Counsel Limited was paid fees in the aggregate amount of $58,843 (including all applicable taxes) pursuant to the Sales and Marketing Services Agreement.

The name, municipality of residence and position with B.E.S.T. Investment Counsel Limited of each director and officer of B.E.S.T. Investment Counsel Limited is set out under "Officers and Directors of the Manager" above.

*Accounting and Administrative Agreement*

The Fund and B.E.S.T. Capital Management Ltd. entered into an accounting and administrative agreement dated August 1, 2002 with Carl Flintoff Services Inc. ("**CF Services Inc.**"), which was assigned by CF Services Inc. to

B.E.S.T. Investment Counsel Limited on June 1, 2003 and was amended and restated as of January 22, 2008 by the Fund and B.E.S.T. Investment Counsel Limited as management advisor and amended July 24, 2009 (the "**Administrative Agreement**"). Pursuant to the Administrative Agreement, B.E.S.T. Investment Counsel Limited has been retained to provide accounting and administrative services to the Fund and to oversee and supervise the accounting services to be provided to the Fund by its registrars, Convexus Managed Services Inc. and/or TMX Equity Transfer Services, as applicable, or their successor service providers. The Administrative Agreement is renewable for successive two year periods, provided that either party may terminate on six months notice prior to the end of the renewal term and in certain other specified circumstances. If the Fund terminates the Administrative Agreement other than in the specified circumstances a fee is payable to the Management Advisor. The Management Advisor is entitled to indemnification in the specified circumstances.

Pursuant to the Administrative Agreement, B.E.S.T. Investment Counsel Limited receives from the Fund a fee, payable monthly in arrears, in the amount of $8,000 per month plus all applicable taxes. The Management Advisor is also indemnified by the Fund in the specified circumstances.

During the fiscal year ended September 30, 2013, B.E.S.T. Investment Counsel Limited was paid fees in the aggregate amount of $108,480 (including all applicable taxes) pursuant to the Administrative Agreement.

The name, municipality of residence and position with B.E.S.T. Investment Counsel Limited of each director and officer of B.E.S.T. Investment Counsel Limited is set out under "Officers and Directors of the Manager" above.

*Conflicts of Interest*

The services of the directors and officers of the Fund are not provided on an exclusive basis to the Fund. The directors and officers of the Fund may provide similar services to other parties, including the managers of other investment funds and labour-sponsored venture capital corporations and devote a portion of their time to other investments, directorships and offices.

The Management Advisor has adopted a conflict of interest policy, which is scheduled to the Management Advisor Agreement (the "**Conflict of Interest Policy**") regarding its relationship with the Fund. Pursuant to the Conflict of Interest Policy, the Management Advisor and its employees must disclose to the Fund any interest which the Management Advisor or any of its employees own or have in a proposed investment opportunity brought to the Fund for consideration. In addition, such investment must be referred to the IRC for review or approval, as applicable. The Management Advisor and its employees may co-invest at the same time and on the same terms as the Fund to a maximum of 10% of the available investment with prior written notice to the Board. The Management Advisor and its employees shall not dispose of any co-investments with the Fund without the prior written consent of the Board, which consent shall not be unreasonably withheld or delayed. The Fund shall have a right of first refusal and tag along rights with respect to the disposal of any co-investment by the Management Advisor or its employees.

As a general principle, the Management Advisor shall, in providing investment management and/or advisory services, treat all its clients and any conflicts that may arise in a fair and equitable manner. In the event that the Management Advisor is aware of or involved in a proposed investment opportunity which it believes meets the investment criteria of more than one client, then the investment opportunity shall be offered to all clients of the Management Advisor on a *pro rata* basis based on the amount each client is willing to invest. However, if the Fund requires such investment to meet its pacing requirements, the investment opportunity will be offered to the Fund based on the amount the Fund is then willing to commit to invest in order to meet its pacing requirements. In addition, if one of the Management Advisor's clients has a pre-existing stake in a proposed investment opportunity, such client may participate in the investment opportunity, in priority to other of the Management Advisor's clients, to the extent necessary to maintain its proportionate undiluted ownership interest in the investment.

The Management Advisor also acts as the manager of and provides investment advisory services to B.E.S.T Total Return Fund Inc., a labour-sponsored investment fund, as well as a number of private investment vehicles.

*Operating Expenses*

The Fund pays all of its operating expenses, including legal, audit and valuation costs, sales commissions and expenses, the fees payable to the Manager, storage and rent costs, and reasonable fees and expenses relating to the operation of the IRC out of working capital, which includes income earned on investments and the shareholders' capital of the Fund, among other things. The Fund has retained CIBC Mellon Trust Company (and certain of its affiliates), as custodian and pays for custodial services on a direct cost basis. The Fund, from time to time, retains registered investment dealers to execute liquid portfolio trades and the Fund pays for such services on a direct cost basis.

Listing expenses and transfer agency fees relating to the Class L Shares will be charged only to that class. The Fund will allocate other expenses relating solely to one class or series of shares only to that class or series, and otherwise will allocate such expenses on a *pro rata* basis.

The nature of the investments to be made by the Fund requires a greater commitment to investment analysis, due diligence investigations and post-investment monitoring than investment in most other securities. In addition, the cost to determine the value of the Fund's assets for which no published market exists is greater than valuation costs for mutual funds which invest primarily in listed securities. Consequently, the operating expenses of the Fund are typically higher than many mutual funds and other pooled investment vehicles.

The prior approval of the shareholders of the Fund is generally required before, among other things, the basis of the calculation of a fee or expense that is charged to the Fund or directly to its shareholders by the Fund or the Manager in connection with the holding of securities of the Fund is changed in a way that could result in an increase in charges to the Fund or its shareholders. However, shareholder approval is not required to be obtained before making a change described in the preceding sentence where the Fund contracts at arm's length with the person or company charging the fee or expense described in the preceding sentence. Although shareholder approval will not be obtained in connection with the changes described above, shareholders will be sent a written notice at least 60 days before the effective date of the change that is to be made that could result in an increase in charges to the Fund.

*Incentive Participation Amount*

B.E.S.T. Investment Counsel Limited, as the Manager and the Management Advisor, is entitled to receive an annual IPA in respect of each fiscal year based on the realized gains and income and cumulative performance of the Fund. B.E.S.T. Investment Counsel Limited, as the Manager and Management Advisor, as the sole owner of the Class P Shares, will receive the IPA in the form of dividends on the Class P Shares. These dividends are generally designated by the Fund as capital gains dividends. In order for the IPA to be payable by the Fund the following conditions must be satisfied:

(a) the total net realized and unrealized gains and income from the Fund from its portfolio of eligible investments since January 1, 1997 must have generated a return greater than the annualized average rate of return on five year Guaranteed Investment Certificates offered by a Schedule I Canadian chartered bank plus 2%;

(b) the compounded annual rate of return (including realized and unrealized gains and income) from the particular eligible investment since its acquisition by the Fund must equal or exceed 12% per annum; and

(c) the Fund must have recouped an amount equal to all capital or principal invested in the particular eligible investment.

Upon satisfying the above conditions, the IPA will be determined as described below.

The proceeds from the disposition of each particular eligible investment in each calendar quarter of the Fund, after deducting the costs of such investment, shall be allocated and paid as follows:

(a) The Fund shall receive an amount equal to all gains and income earned from each particular eligible investment which provides a cumulative investment return at an annual average rate equal to 12% since investment.

(b) The Management Advisor shall receive all gains and income earned from each particular eligible investment in excess of the 12% annual average rate of return contemplated in (a) immediately above, up to and including a 15% annual average rate of return earned from the particular eligible investment.

(c) All gains and income earned on each particular eligible investment after deducting the amounts calculated in accordance with (a) and (b) immediately above, shall be allocated and paid in the following proportions:

(i) 80% to the Fund;

(ii) 16% to the Management Advisor; and

(iii) 4% to the Manager.

The IPA will be calculated and Class P dividends paid quarterly in arrears based upon realized gains and income, calculated on the last day of the last month of each calendar quarter.

As realized gains and income from an eligible investment will be factored into the calculation of the IPA without any time limit, if the thresholds described above are achieved, the Fund may be required to pay an IPA in future periods, which may be in excess of one year subsequent to the Fund's realization of such gains and income. The Fund received exemptive relief from the provisions of National Instrument 81-102 - *Mutual Funds* of the Canadian Securities Administrators ("**NI 81-102**") relating to the payment of performance fees.

*Dealer Co-Operative Programs*

Subject to any necessary regulatory approvals, the Fund or the Manager may enter into co-operative advertising programs with registered dealers providing for the reimbursement of expenses incurred by the registered dealers in promoting sales of Class A Shares or Class L Shares. The Manager or the Fund would pay no more than 50% of such expenses.

**Executive Compensation**

*Remuneration of Directors and Officers*

The Fund has two executive officers, Messrs. John M.A. Richardson and Thomas W.R. Lunan, neither of whom received compensation from the Fund for acting in such capacity during the financial year ended September 30, 2013. The services of such officers are provided by the Manager under the Management Agreement at the expense of the Manager.

During the financial year ended September 30, 2013, all directors were paid an annual fee of $7,000, plus $600 per meeting for each Board or Board committee meeting attended and were reimbursed for all reasonable expenses incurred in attending such meetings. In addition to the above payments, the chairman of the Audit Committee of the Board received an annual payment of $2,000 and the Chairman of the Board received an annual payment of $4,000 for the financial year ended September 30, 2013.

*Indebtedness of Directors and Executive Officers*

None of the directors or executive officers of the Fund or their respective associates or Affiliates is or has been indebted to the Fund at any time.

**Directors' and Officers' Liability Insurance**

The Fund has purchased and maintains directors' and officers' liability and corporation reimbursement insurance for and on behalf of the directors and officers of the Fund. The premium paid by the Fund for such insurance for the one-year period ending March 31, 2014 was $42,988, including taxes. No director or officer has paid any premium for such insurance. The insurance shall be payable in the case of each applicable loss incurred by a director and/or officer up to the aggregate limit of $2,000,000. A $100,000 deductible is to be paid in the case of each indemnification by the Fund.

**Dividend Policy**

The Fund may declare such dividends on the Class A Shares or Class L Shares from time to time out of monies legally available for dividends as the Board may declare. The decision as to the amounts and timing of any dividends will be at the discretion of the Board and there is no guarantee that dividends will be paid at any time or in any amount. There have been no cash dividends or other cash distributions declared on the Class A Shares or Class L Shares by the Fund since its inception. Payment of the IPA will be in the form of dividends on the Class P Shares.

The Fund intends to capitalize from time to time certain amounts of its capital gains to the extent necessary to obtain a refund in respect of the tax otherwise payable in respect of its taxable capital gains. Such capitalization will be effected by increasing the stated capital of the Class A Shares and Class L Shares on a *pro rata* basis. If and to the extent that the Fund increases the stated capital of the Class A Shares or Class L Shares and makes applicable elections under the Tax Act, a holder of Class A Shares or Class L Shares will be deemed to have received a capital gains dividend, equal to the amount of the stated capital increase in respect of his or her Class A Shares or Class L Shares.

**Matters Requiring Securityholder Approval**

Certain changes affecting the Fund may only be implemented with the approval of the shareholders of the Fund. A meeting of the shareholders, or where required by law a meeting of each class of shareholders, of the Fund must be convened to consider and approve any of the following matters that the Fund may propose to change in the future:

- a change of the manager of the Fund (other than to an affiliate of the Manager);
- any change in the fundamental investment objectives of the Fund;
- any decrease in the frequency of calculating the net asset value of the Class A Shares or Class L Shares;
- subject to certain exemptions available under rules applicable to mutual funds, the commencement of the use by the Fund of permitted derivatives; and
- any other matter that is required by applicable law, including NI 81-102, the articles or by-laws of the Fund or by any agreement to be submitted to a vote of the shareholders of the Fund.

Approval of the shareholders will also be required before entering into or amending any contract as a result of which the basis of the calculation of the fees or other expenses that are charged to the Fund could result in an increase in charges to the Fund unless (a) the Fund contracts at arm's length with the party to which the fees or other expenses will be paid; and (b) the shareholders are given written notice of the change at least 60 days before the effective date of the change. In addition, approval of the shareholders is required under the CBCA for certain fundamental changes of the Fund, such as certain amendments to the Fund's articles, the amalgamation of the Fund with another entity, the continuance of the Fund under the corporate laws of another jurisdiction, and the sale, lease or exchange of all or substantially all of the property of the Fund other than in the ordinary course of business.

The auditor of the Fund may be changed without prior approval of the shareholders of the Fund, provided the Fund's IRC approves the change and the shareholders are sent written notice at least 60 days before the effective date of the change.

**Legal Proceedings**

There are no ongoing legal or administrative proceedings material to the Fund to which the Fund or the Manager is a party and no such proceedings are known to be contemplated.

**Auditor**

The auditor of the Fund is PricewaterhouseCoopers LLP, Chartered Professional Accountants, Toronto, Ontario. The address of the auditor is PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario M5J 0B2. The auditor has been the auditor of the Fund since its formation.

**Registrar and Transfer Agent**

The Fund and the Manager entered into an administrative services agreement (the "**Administrative Services Agreement**") dated as of July 10, 2007, as amended July 24, 2009 and April 20, 2012, pursuant to which Convexus Managed Services Inc. (the "**Registrar**") provides certain shareholder recordkeeping and administration services and fund valuation and financial reporting services, including services relating to processing of sales and redemption orders, shareholder relations, fund accounting, and reporting to shareholders. The Registrar acts as the registrar and transfer agent for the Class A Shares at its principal office in Toronto, Ontario.

Unless terminated earlier in accordance with its terms, the Administrative Services Agreement will continue until June 30, 2014. The agreement may be terminated earlier upon certain events of bankruptcy of the other party or if the other party commits or permits any material breach of the agreement which is not cured within 30 days' notice or if any required licensing is not obtained. If the agreement is terminated by the Manager or the Fund in other circumstances a termination fee is payable to the Registrar.

Under the Administrative Services Agreement, the Registrar is entitled to a fee for its services in such amounts as may from time to time be agreed upon in writing by the Manager and the Registrar.

The Fund has also entered into a transfer agent, registrar and disbursing agent agreement with TMX Equity Transfer Services (formerly known as Equity Financial Trust Company) ("**Equity**") dated May 25, 2009 in connection with the Class L Shares (the "**Class L Registrar Agreement**"). Pursuant to the Class L Registrar Agreement, Equity maintains at its office in Toronto, Ontario the Fund's Class L Share register, registers of transfers and unissued share certificates, as well as acts as the Fund's distribution agent for dividends and other distributions which may be declared on the Class L Shares from time to time.

The Class L Registrar Agreement may be terminated by either party on 90 days' written notice, or by Equity on 30 days' written notice in the event of the Fund's failure to pay fees. If the Fund terminates Equity on notice, a termination fee is payable.

Under the Class L Registrar Agreement, Equity is entitled to a fee for its services in such amounts as are provided in Equity's tariff of fees. Equity is also entitled to indemnification by the Fund in certain circumstances.

**Custodian**

Under an amended custodian agreement dated as of September 13, 2007 and as assigned to the Manager as of January 22, 2008, CIBC Mellon Trust Company (and certain of its affiliates) (the "**Custodian**"), has been retained to hold the Fund's Investment Portfolio and the Reserves in safekeeping for the Fund. The Fund pays for custodial services on a direct cost basis. The address of the Custodian is 320 Bay Street, Sixth Floor, Toronto, Ontario M5H 4A6. Unless terminated earlier in accordance with its terms, the agreement may be terminated on 90 days' notice (or such shorter term as may be accepted by the parties).

## PART VI - INFORMATION CONCERNING THE LIMITED PARTNERSHIP

### Structure and Business of the Limited Partnership

The Limited Partnership is a limited partnership formed under the laws of the Province of Ontario. The Limited Partnership became a limited partnership effective on February 21, 2014, the date of filing of its declaration of Limited Partnership. The Limited Partnership Agreement is summarized in the Circular. See "Limited Partnership Agreement".

The General Partner will be T1 General Partner LP, a limited partnership formed under the laws of Ontario. The general partner of the General Partner will be T1 General Partner Corp., a corporation incorporated under the laws of Ontario. The General Partner has co-ordinated the formation, organization and registration of the Limited Partnership. T1 General Partner Corp. is a wholly-owned subsidiary of 1209762 Ontario Inc. The General Partner's sole business activity will be the management of the Limited Partnership.

The General Partner will be responsible for all aspects of the management, operation and administration of the Limited Partnership, including (i) identifying, screening, monitoring, managing and disposing of the Limited Partnership's investments; (ii) providing such services as are reasonably required in respect of the Limited Partnership's day-to-day operations; (iii) retaining and supervising one or more investment advisors; (iv) formulating the investment objectives, restrictions and procedures of the Limited Partnership and negotiating the terms of investments; (v) determining the amount and timing of distributions and administering any distribution re-investment plan; (vi) maintaining the books and records of the Limited Partnership; and (vii) preparing all continuous disclosure documents and other documents required to comply with securities law and listing requirements in respect of the Limited Partnership and all material in connection with meetings of Limited Partners.

The General Partner's responsibilities include retaining service providers to provide the expertise that the Limited Partnership requires, and monitoring their performance. The General Partner will not co-mingle its own funds with those of the Limited Partnership.

The General Partner and the Limited Partnership will enter into an investment advisory agreement (the "**LP Advisory Agreement**") pursuant to which B.E.S.T. Investment Counsel Limited (the "**LP Investment Advisor**") will be engaged to (i) provide oversight and advice to the General Partner in respect of the investment activities of the Limited Partnership; (ii) assist the General Partner in the formulation of the investment objectives, restrictions and procedures of the Limited Partnership; and (iii) assist the General Partner in analyzing and evaluating potential investments. The LP Investment Advisor will provide these services subject to the supervision of the General Partner, and the provisions of the LP Advisory Agreement.

It is expected that the Fund directors and officers and the directors of the Manager will be indemnified by the Limited Partnership for certain matters. The Limited Partnership has agreed to provide an indemnity to certain persons, including the Manager and its past and current directors and officers, and the past and current directors of the Fund, in connection with any legal fees, judgments and amounts paid in settlement incurred in carrying out their duties in respect of the Fund. Such indemnity would not be payable to the extent there has been gross negligence, willful misconduct or bad faith on the part of the Manager or such other person or such person has failed to fulfill its standard of care as set out in the relevant agreement related to the Fund. See "The Transaction – Risk Factors – Directors' and Officers' Indemnities".

Limited Partners are prohibited from taking part in the management of the Limited Partnership. To the extent that Limited Partners participate in management activities, they are at risk of losing the protection of limited liability.

Mr. Peter Hubenaar is the initial Limited Partner of the Limited Partnership. The interest of the Initial Limited Partner will be redeemed upon completion of the Transaction.

TMX Equity Transfer Services, (the "**LP Transfer Agent**"), will be appointed as registrar and transfer agent in respect of the Units. The Limited Partnership will retain CIBC Mellon Trust Company (and certain of its affiliates) (the "**LP Custodian**") as custodian, and will pay for custodial services on a direct cost basis.

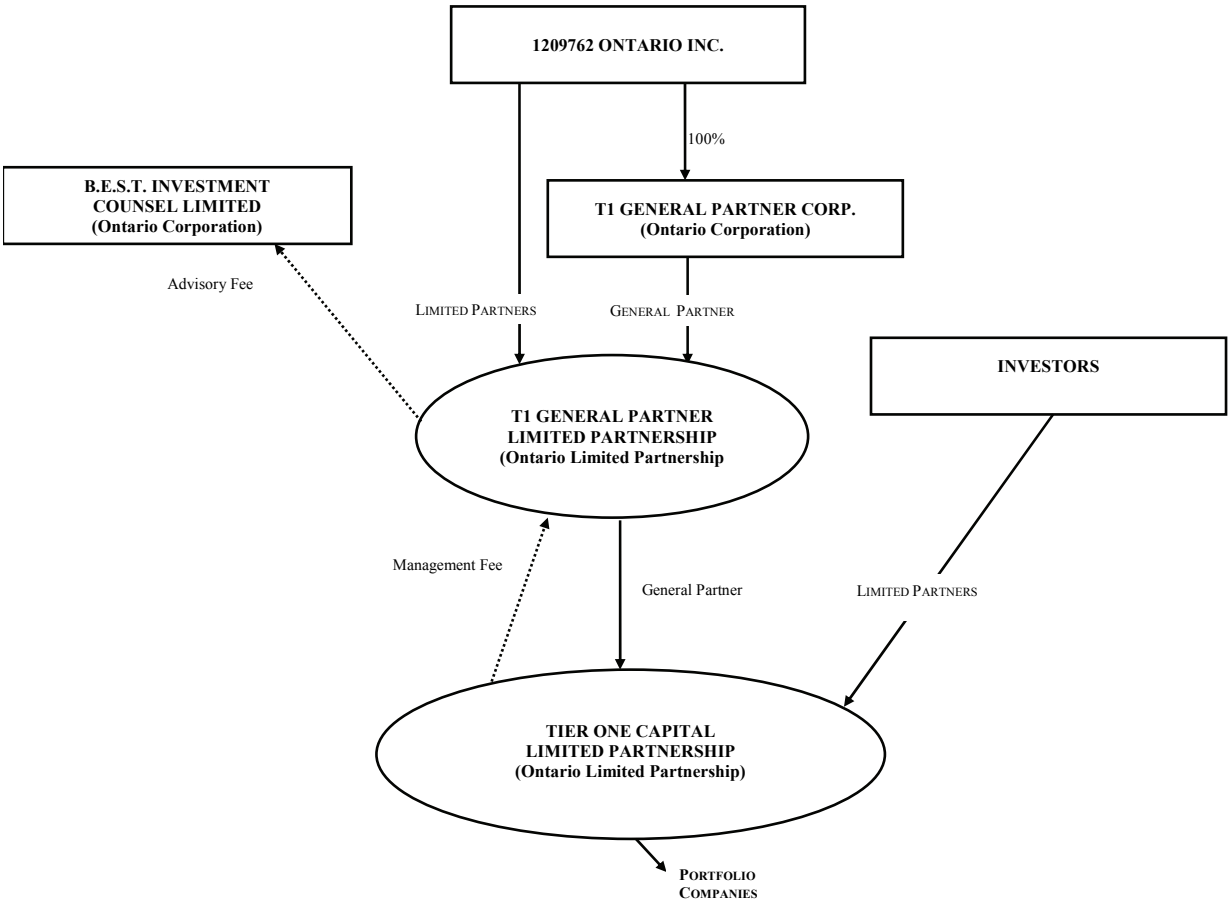
PricewaterhouseCoopers LLP will be the auditor for the Limited Partnership.

Convexus Managed Services Inc. will perform accounting and certain administrative services for the Limited Partnership.

The head office and principal place of business of the Limited Partnership is at 15 Toronto Street, Suite 400, Toronto, Ontario M5C 2E3, telephone: 1-800-795-2378, facsimile: 416-203-6630, internet: www.bestfunds.ca.

The following illustrates the relationship among the Limited Partnership, the General Partner and B.E.S.T. Investment Counsel Limited:

**Tier One Capital Limited Partnership Structure Chart**



**Objectives and Practices of the Limited Partnership**

*Investment Objectives*

The Limited Partnership's investment objectives will be to provide a return on investment for Limited Partners and provide regular cash distributions. The General Partner intends to make regular distributions, which would be assessed on a quarterly basis, to the Limited Partners, having regard to the income received or anticipated to be received from the portfolio companies held by the Limited Partnership as well as the fees, expenses and other obligations of the Limited Partnership.

*Investment Strategies*

The Limited Partnership will primarily invest in senior debt, preferred shares and debt obligations which are convertible into equities, of eligible businesses which have the greatest potential for long-term growth and may also invest in equity and other equity-related securities. The Limited Partnership will be focused on funding rapidly growing Canadian companies by providing them with the capital needed to execute their growth strategies and acquisition plans. Its primary focus will be on companies with recurring revenue streams in the technology, healthcare and financial services industry. The Limited Partnership will initially focus its investments on companies in the expansion phase of development in mid to late stages. In addition, the Limited Partnership may acquire previously issued securities of portfolio companies from the holders of such securities. The Limited Partnership will not be subject to any investment restrictions regarding any particular sector, industry or stage of development. The investment size is expected to range between $1 to $5 million per investment, and the investment portfolio of the Limited Partnership is intended to be diversified.

The Limited Partnership may utilize leverage up to 50% of its Partners' Equity.

The amount of cash available for distribution to Limited Partners could vary substantially from time to time, and there is no assurance that the Limited Partnership will make any such distributions. See "Risk Factors".

The Limited Partnership's investments will be selected on the basis of various criteria including a review of industry economics, management capability, product or service competitiveness and growth potential. Capital not invested in eligible businesses will be used for the general purposes of the Limited Partnership.

A material change in the fundamental investment objectives of the Limited Partnership will be subject to Limited Partner approval.

The Limited Partnership will not carry on business as an investment fund nor will it be subject to the requirements of the Ontario Act, including the requirement to have a sponsor.

*Investment Characteristics*

Markets for investment change rapidly as new technologies emerge and as applications of existing technologies enable new segments to appear. The Limited Partnership is most interested in rapidly growing emerging markets and in businesses that can achieve dominance in their respective niches. Desirable investment opportunities are businesses that provide opportunities for return on investment commensurate with the perceived risk, and which possess as many of the following characteristics as possible:

- A capable management team with a clear market orientation.
- A feasible business strategy which fully describes the business and its growth potential in terms of revenues, profits, assets, and cash flow.
- Evidence of a market for the business technology, product or services. A commitment to innovation, rapid market expansion, high-growth, high gross margins, and capability of obtaining a dominant market position.

- The ability to leverage government grant or tax programs to offset research and development and other growth investments.

- The opportunity for at least one representative of the General Partner to be elected as a member of the board of directors or to participate as an observer at meetings of the board of directors of the investee company within the equity portfolio.

- Anticipated holding periods for investments will vary from short-term (being 1-3 years) to long-term (being 3-5 years) depending on the nature of investments although the Limited Partnership may hold investments for a shorter or longer time period. Debt investments held by the Limited Partnership will tend to have durations of 1-3 years while equity investments will have longer-term anticipated investment horizons.

- A reasonable expectation that the Limited Partnership will be able to exit from its investment in five to eight years or sooner since most of the investments will initially be in securities for which no active market exists.

*Source of Investment Opportunities*

The General Partner will use a variety of resources to source investment opportunities including, but not limited to, industry related research, trade publications, discussions with industry participants, legal and financial professionals, and its existing database of research.

The success of the Limited Partnership will depend largely on its ability to identify attractive investment opportunities and to invest in the most appropriate of them. The General Partner relies on networks in the investment community to assist in identifying appropriate investment opportunities for the Limited Partnership. The Limited Partnership is expected to also receive proposals directly from businesses seeking financing and co-operate with other investors in identifying, structuring and negotiating investments. Participation with other investors in well structured attractive investments will increase the Limited Partnership's investment opportunities. The Limited Partnership may also invite other investors to participate in selected transactions originated by B.E.S.T. Investment Counsel Limited or the Limited Partnership.

*The Investment Review Process*

Evaluation of potential investments is undertaken in three stages: Screening, Measuring, and Due Diligence.

Screening

Upon identifying a potential investment, the General Partner will perform an analysis to value the company. This will typically start with a forward-looking evaluation of the company's business model, including its expected cash flow under various economic and industry conditions (including 'best case,' 'worst case,' and 'most likely case' scenarios), including its expected cash flow under various economic and industry conditions, tangible asset value, competitive strengths and weaknesses, as well as the quality of its existing management team. In addition, the General Partner performs a structural analysis, which includes a review of the rights and interests of each creditor/equity holder in the company's capital structure, including protective debt covenants, collateral protection, seniority and other contractual rights as well as any other legal issues surrounding the company.

Initial analysis includes an evaluation of management, review of the company's existing business plan, site visits, review of trade literature, conversations with industry participants, and analysis of company profile. The profile is framed in terms of:

*Stage of Development*

The Limited Partnership is most able to help facilitate positive change when a company has an established customer-base, is undergoing rapid growth or organizational change, and is seeking to increase its growth through investments in sales and marketing or product development.

*Intellectual Property*

The General Partner will seek companies that can demonstrate that they own industry leading intellectual property that is difficult to replicate and seen as valuable to the companies' industry peers.

*Scalable, Recurring or Predictable Revenue Business Models*

The General Partner will review a company's existing customer base to assess the stability of the existing customer base and the propensity for existing customers to generate revenue in future years, on the basis that the existing customer base will provide for stable and predictable operations should growth decrease.

The General Partner will also seek companies that operate with low overhead and whose products offer above average gross margins.

*Market*

The potential for winning market share in a rapidly growing market is a key issue and one to which other success factors are strongly correlated.

*Exit Potential*

Expectation of liquidity is critical, and the Limited Partnership's expectation is that the investee company must go public or be sold within the investment horizon. Otherwise, the company must have demonstrated that it would likely have the ability to service and repay its debt or preferred share obligations to the Limited Partnership through cash flows from operations.

Measuring

In evaluating prospective investments, the financial plan is measured against the Limited Partnership's investment criteria and the assumptions are tested for reasonableness and plausibility. See also "Implementation of Investment Strategy and Monitoring – Evaluating Investment Opportunities".

Due Diligence

The due diligence phase confirms the findings of the measuring and screening process. The due diligence process that the General Partner will undertake is top down: it works from validity of market and industry assumptions; through the strategic operating plan, management capability, and exit potential; to legal and technical issues such as analysis of contracts, licenses and agreements. The aim is to discover weaknesses or flaws in the business model and identify potential corrections as well as provide a justification for value and structure. See also "Implementation of Investment Strategy and Monitoring – Due Diligence".

*Other Investment Restrictions*

The Limited Partnership will not have investment restrictions related to any particular sector, industry or stage of development. It is intended that the portfolio assets of the Limited Partnership will be held in the custody of a Canadian chartered bank, or federally or provincially registered trust company.

Pursuant to the terms of the Limited Partnership Agreement:

(a) the Limited Partnership will not acquire any interest in a non-resident trust that is not an "exempt foreign trust" as defined in the Tax Act or invest in the securities of any non-resident corporation, or trust or other non-resident entity if the Limited Partnership would be required to include any material amounts in income pursuant to section 94.1 of the Tax Act;

(b) the Limited Partnership will not invest in securities of an issuer that would be a "foreign affiliate" of the Limited Partnership within the meaning of the Tax Act or would be deemed to be a "controlled foreign affiliate" of the Limited Partnership pursuant to section 94.2 of the Tax Act;

(c) the Limited Partnership will not acquire or hold any security (except for securities acquired by the Limited Partnership from the Fund pursuant to the Transaction) that is a "non-portfolio property" within the meaning of subsection 122.1(1) of the Tax Act; and

(d) the Limited Partnership will not invest in any security that is a "tax shelter investment" within the meaning of the Tax Act.

**Implementation of Investment Strategy and Monitoring**

*Evaluating Investment Opportunities*

As part of the overall investment strategy outlined above, the General Partner will evaluate each investment opportunity according to the following criteria:

- growth potential – the ability to realize and sustain long term, profitable growth;
- competitiveness – the ability to compete in the global marketplace as a result of competitive advantage of some kind, such as technological leadership;
- management team – a capable, committed, visionary and motivated team of senior managers; and
- knowledge – the ability of management to understand the business and the market in which it operates.

*Due Diligence*

In evaluating investment opportunities, the due diligence performed by the General Partner will generally include the following:

- in depth meetings or interviews with company management;
- lengthy discussions with employees, customers and suppliers;
- research on the products, services and technology of the company;
- research on the industry and market which the company serves;
- analysis of the competitive advantage of the company;
- analysis of the company's financial history and prospects for future growth and profitability;
- analysis of potential return on investment; and
- establishment of thorough legal documentation regarding the investment.

*Monitoring*

The General Partner will monitor investee companies by reviewing interim financial reporting, interviewing management teams, and attending board meetings as a nominee board member or observer in certain circumstances. Debt investments will be subject to financial and non-financial covenants, which will be reviewed periodically, and equity investment performance will be compared against investee company budgets and strategic plans.

The General Partner will prepare quarterly reports outlining the performance of its portfolio, highlighting specific areas of concern.

The General Partner will review instances of default as they occur and respond accordingly.

*Exiting Investments*

Anticipated holding periods for investments will vary from short-term (being 1-3 years) to long-term (being 3-5 years) depending on the nature of investments although the Limited Partnership may hold investments for a shorter or longer time period. Debt investments held by the Limited Partnership will tend to have durations of 1-3 years while equity investments will have longer-term anticipated investment horizons. The Limited Partnership will seek to dispose of investments when the long term outlook of a portfolio company deteriorates or when the Limited Partnership is able to replace the investment with an investment in another business with greater potential for long term growth. Due to the anticipated size of the Limited Partnership's typical portfolio company, there is no guarantee that the size of the market for the securities of portfolio companies will be large enough to enable the Limited Partnership to dispose of securities on favourable terms, if at all. The Limited Partnership's investments may be subject to minimum hold periods imposed under the Securities Act or imposed by a stock exchange, as applicable, which will limit the Limited Partnership's ability to dispose of those investments promptly. See "Form of Investments".

*New Investments*

The General Partner will be responsible for investment decisions with respect to investments. The General Partner is also responsible for formulating investment policies and strategies, liaising with B.E.S.T. Investment Counsel Limited on the implementation of those investment policies and strategies and assessing the performance of the Limited Partnership. The General Partner will endeavour to manage the Limited Partnership's liquid assets such that to the extent possible the Limited Partnership will remain fully invested.

*Addressing Conflicts of Interest*

From time to time, a director of T1 General Partner Corp. or of B.E.S.T. Investment Counsel Limited may face a potential conflict in connection with certain investment decisions. For example, a director's employer may have an interest in businesses in which the Limited Partnership is considering investing. Where such conflicts arise, the director with such conflict must declare his or her conflict and abstain from participating in the investment decision.

*Form of Investments*

The particular form of investments in portfolio companies will be negotiated after taking into account the investment criteria and guidelines of the Limited Partnership, the long term requirements of the portfolio company and tax considerations. It is anticipated that investments will be primarily in senior debt, preferred shares, and debt obligations which are convertible into equities, of businesses which have the greatest potential for long term growth. Certain investments may involve a combination of these instruments and debt investments will often be coupled with equity participation in the form of warrants or options to purchase equity.

Investments in portfolio companies whose securities are listed on a stock exchange will be governed by the rules of the particular stock exchange, including, without limitation, rules restricting the size of the discount from the market price for which securities may be issued and rules imposing a hold period on securities purchased by the Limited Partnership. In addition, investments in businesses whose securities become publicly traded will generally be subject to hold periods imposed under the Securities Act or imposed by a stock exchange, as applicable, which may result in a discounted valuation of the securities held and may create an inability to dispose of those securities promptly. In cases where companies are not reporting issuers (as that term is defined in the Securities Act) in the Province of Ontario, the securities representing such investments cannot be resold without a prospectus, an available exemption or an appropriate ruling under the Securities Act.

The Limited Partnership will generally, where it is deemed by the General Partner to be appropriate, seek to protect invested capital by obtaining a security interest, financial covenants and/or a shareholder agreement. In making its investments, the General Partner works with each portfolio company, and the portfolio company's founders and other securityholders, to determine an appropriate structure with respect to capitalization, board structure, incentive stock option arrangements, management compensation and other matters. Such matters are generally dealt with in shareholder agreements and other agreements entered into at the time of an investment. The Limited Partnership will be actively involved with its investee companies, by having a representative sit on the board of directors of investee companies or through other mechanisms, including restrictive and other covenants in the negotiated debt instruments held by the Limited Partnership. The Limited Partnership, through T1 General Partner Corp. and the LP Investment Advisor will provide advice to investee companies on various business decisions, such as financing and acquisition opportunities and market developments.

The Limited Partnership may, from time to time, retain registered investment dealers to execute trades of investments for the Limited Partnership.

The Limited Partnership may issue debentures or other securities convertible into Units.

The Limited Partnership may create such debentures, mortgages and other security instruments, whereby registered security is created over the assets and personal property of the Limited Partnership and held by a trustee or nominee, as the General Partner may reasonably advise to be necessary or desirable in order to secure funding for the Limited Partnership for the purpose of the further purchase and development of portfolio companies, or to preserve the Limited Partnership's ability to obtain such funding at a future time.

**Valuation Policies and Procedures of the Limited Partnership**

*Quarterly Valuations*

As of the last day of March, June, September and December in each year, the General Partner determines the value (the "**Quarterly Valuation**") of the Limited Partnership's assets, on the basis of policies and procedures developed and approved by the General Partner for determining the estimated fair market value of such assets.

The value of the Limited Partnership's investments for which there exists a published market (being a market on which such securities are traded if the prices are regularly published in a newspaper or other publication of general and regular paid circulation) is generally the closing bid price of the relevant investment on such market. A reasonable discount to market will normally be used if the size of the investment in a publicly-traded entity is large relative to trading volumes of such shares or if trading is restricted in any way.

In determining the value of assets for which there does not exist a published market, the General Partner will be guided, where appropriate, but not bound by, the following criteria:

- Investments are valued at fair value (the highest price available in an open and unrestricted market between fully informed and prudent parties, acting at arm's length, under no compulsion to transact, expressed in terms of cash).

- The fair value of investments is determined on the basis of expected realizable value of the investments on a going concern basis or if they were disposed of in an orderly disposition over a reasonable period of time, as appropriate.

- Investments are written down to net realizable value where appropriate.

- Where the investment is progressing satisfactorily in relation to the Limited Partnership's expectations, a reasonable multiple of sustainable earnings, cash flow, revenue or discounted cash flow (as considered appropriate) with a cross-reference to, and an assessment of, tangible asset value may be used. Such valuation multiples will be developed through reference to comparable public entities discounted to reflect the inherent differences between private and public holdings such as size, performance and lack of marketability. Where

appropriate, consideration will be given to the planned timing of an initial public offering of the investee company.

- New investments are valued at fair value giving consideration to whether there is a substantial arm's length transaction which establishes a different value or there is a significant change from the General Partner's expectations.

- If there is a significant arm's length enforceable offer or transaction with respect to an investment, values used in such offer or transaction may be used in the valuation of the investment. In such circumstances, consideration will be given to whether new or existing investors participated in the offer or transaction and the current level of market interest in the investment. Similarly, if there is a valuation prepared by a qualified independent party, such valuation will be considered to provide a valid indication of the estimated fair market value of an investment.

- Debt instruments, other than short-term liquid debt instruments will be valued at fair value (with accrued interest and discounts earned included in interest receivable) and giving consideration to whether the instrument is in arrears or whether a write-down or other provision is considered prudent due to the unlikelihood of full realization on the investment. Where there is a decline in the carrying value of a debt instrument, the instrument and related accrued interest will be written down.

- Short-term liquid debt instruments (having a term to maturity of 365 days or less) are valued at cost which approximates fair value with accrued interest or discounts earned included in interest receivable.

- Convertible securities will be fair valued based on best use or highest value.

- In the unusual event that the valuation policies and procedures described above are not appropriate for the particular investee's circumstance then the General Partner can approve appropriate valuation techniques for that investment.

The General Partner will determine the valuation of the Limited Partnership's investments in portfolio companies for which no published market exists on a quarterly basis.

The process of valuing investments for which no published market exists is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been used had a ready market existed for the investments. The resulting values may differ, perhaps materially, from the amounts ultimately realized. Also, because these venture investments will be valued on a going concern basis, the values may differ compared to those realized through a forced liquidation.

*Audit of Financial Statements*

In the course of preparing its report on the Limited Partnership's annual financial statements, the Limited Partnership's auditor will conduct its audit of the financial statements in accordance with Canadian generally accepted auditing standards. Those standards require the auditor to plan and perform an audit to obtain reasonable assurance whether the financial statements are free from material misstatement. The audit will include examining, on a test basis, evidence supporting the amounts reported for and the disclosure of the portfolio in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The Limited Partnership will implement internal control mechanisms such that appropriate audit evidence is available.

**Directors and Officers of T1 General Partner Corp.**

*Directors and Officers*

The Limited Partnership Agreement provides for the management and control of the Limited Partnership to be the responsibility of the General Partner, rather than a board of directors or officers. As the General Partner is itself a limited partnership, it has a general partner, T1 General Partner Corp., that is responsible for the operations of the

General Partner. References herein to the directors, the board of directors, the audit committee, the chief executive officer, the chief financial officer, executive officer and/or officers of the Limited Partnership or otherwise are in fact references to such positions(s) with and/or committees of T1 General Partner Corp.

The term of office of each of the present directors of T1 General Partner Corp. expires at the close of the next annual meeting of shareholders of T1 General Partner Corp. or until their successors are appointed, unless a director's office is earlier vacated.

The board of directors of T1 General Partner Corp. is comprised of three directors.

The Chief Executive Officer and Chief Financial Officer of T1 General Partner Corp. are Mr. John M.A. Richardson and Mr. Thomas W.R. Lunan, respectively.

The officers of T1 General Partner Corp. will not devote their full time and attention to T1 General Partner Corp. Each of them will, however, devote such time as is necessary to the business and offices of T1 General Partner Corp. as is required to allow it to fulfill its duties to the Limited Partnership.

The name, municipality of residence, office or position held with T1 General Partner Corp. and principal occupation of each of the directors and senior officers of T1 General Partner Corp. are set out below:

| **Name and Municipality of Residence** | **Position with T1 General Partner Corp.** | **Principal Occupation** |
|---|---|---|
| JOHN MICHAEL ANTHONY RICHARDSON<br>Waterdown, Ontario, Canada | Chief Executive Officer and Director | Chief Executive Officer of each of the Fund and B.E.S.T. Total Return Fund Inc., President and a director of each of the Manager and Absolute Private Counsel Limited, and President, sole director and corporate secretary of BEST Capital Administration Inc. |
| THOMAS WILLIAM ROBERT LUNAN<br>Toronto, Ontario, Canada | Chief Financial Officer | Chief Financial Officer of each of the Fund and B.E.S.T. Total Return Fund Inc. and Vice-President of the Manager and Vice- President and a director of Absolute Private Counsel Limited |
| ALAN VEERIAH CHETTIAR<br>Toronto, Ontario, Canada | Corporate Secretary and Director | Corporate Secretary of each of the Fund and B.E.S.T. Total Return Fund Inc. and Vice-President of the Manager |
| ROBERT JOHN ROY<br>Toronto, Ontario, Canada | Director | Consultant |

For a brief biography of the directors and officers of TI General Partner Corp., see "Information Concerning the Fund – Directors and Officers of the Fund" and "Information Concerning the Fund – Management – Officers and Directors of the Manager".

*The Audit Committee of T1 General Partner Corp.*

The Audit Committee of T1 General Partner Corp. is comprised of Mr. John M.A. Richardson, Mr. Alan V. Chettiar and Mr. Robert J. Roy, the latter of whom is "independent" within the meaning of National Instrument 52-110 – *Audit Committees* ("**NI 52-110**") whereas Mr. Richardson and Mr. Chettiar are not "independent" by virtue of being officers of T1 General Partner Corp. Both Mr. Richardson and Mr. Roy are financially literate within the meaning of NI 52-110. See the biographies of Mr. Richardson and Mr. Chettiar under "Information Concerning the Fund – Directors and Officers of the Fund") and of Mr. Roy under "Information Concerning the Fund – Management – Officers and Directors of the Manager" for a description of the experience that is relevant to the performance of their responsibilities as Audit Committee members. Venture issuers, such as the Limited Partnership is expected to be,

are exempt from the requirements of National Instrument 52-110 – *Audit Committees* related to the composition of audit committees and certain disclosure obligations.

The board of directors of T1 General Partner Corp. will adopt a written charter for the Audit Committee, which will set out the Audit Committee's responsibility in overseeing and supervising the Limited Partnership's accounting and financial reporting practices and procedures, the adequacy of internal accounting controls and procedures, and the quality and integrity of its financial statements. In addition, the Audit Committee will be responsible for the appointment, compensation and oversight of the work of any external auditor employed by the Limited Partnership and for the approval of non-audit services for which its auditors may be engaged. The form of Audit Committee mandate will be substantially in the form of the mandate set out in Appendix "F" to this Circular.

As the Limited Partnership is a newly formed entity, no fees have been billed to the Limited Partnership by its auditor, PricewaterhouseCoopers LLP, in respect of the Limited Partnership's last two fiscal years.

**Executive Compensation and Management Arrangements**

*Amounts Payable to the General Partner*

The Limited Partnership Agreement provides for the management and control of the Limited Partnership by a general partner rather than a board of directors or officers. Accordingly, the Limited Partnership has no directors or executive officers. Pursuant to the Limited Partnership Agreement, decisions relating to the operation and business of the Limited Partnership are governed by the General Partner, which in turn is governed by its general partner, T1 General Partner Corp., and which has the sole responsibility and authority for the governance and control of the Limited Partnership.

In this section, "**Named Executive Officer**" or "**NEO**" means the following individuals: (a) the Chief Executive Officer of T1 General Partner Corp. (or person acting in a similar capacity) during the most recently completed financial year of T1 General Partner Corp.; (b) the Chief Financial Officer of T1 General Partner Corp. (or person acting in a similar capacity) during the most recently completed financial year of T1 General Partner Corp.; (c) each of T1 General Partner Corp.'s three most highly compensated executive officers (or persons acting in a similar capacity), other than the Chief Executive Officer and Chief Financial Officer, at the end of the most recently completed financial year of T1 General Partner Corp. whose total compensation was, individually, more than $150,000; and (d) any additional individual who would be a NEO under (c) but for the fact that the individual was not serving as an executive officer of T1 General Partner Corp., nor acting in a similar capacity, as at the end of the most recently completed financial year. As T1 General Partner Corp. has not had a completed financial year, no compensation has been paid to any of the NEOs of T1 General Partner Corp. with respect to the Limited Partnership since the formation of the General Partner.

The initial compensation for the directors of T1 General Partner Corp. who are not affiliated with or employees of T1 General Partner Corp. or B.E.S.T. Investment Counsel Limited for attendance at meetings of the directors or any committee has not yet been set. As well, T1 General Partner Corp. will indirectly reimburse such directors for any out of pocket expenses, including out of pocket expenses for attending meetings. The Limited Partnership will reimburse T1 General Partner Corp. for such amounts. In addition, the Limited Partnership will obtain insurance coverage for such directors. Compensation will be reviewed on an annual basis, or more frequently if required, giving consideration to the Limited Partnership's growth and the extent of its portfolio.

*Management Fee*

The General Partner will be entitled to receive an annual management fee (the "**LP Management Fee**") equal to 0.995% of the total assets of the Limited Partnership. The LP Management Fee will be calculated and paid monthly in arrears based on the total assets of the Limited Partnership as at the end of the applicable month.

*Priority Profit Allocation*

Limited Partners will share in net profits and losses of the Limited Partnership as set out in the Limited Partnership Agreement.

The General Partner will share in the profits of the Limited Partnership by receiving, among other things, a priority share of the net income of the Limited Partnership (the "**Priority Profit Allocation**"). Distributions may be made to the General Partner (the "**Priority Profit Distribution**") in respect of its established or potential future entitlement to the Priority Profit Allocation, calculated as of the last day of each calendar quarter, equal to one quarter of 2.68% of the total assets of the Limited Partnership as at the last day of each calendar quarter (the "**Priority Profit Quantum**").

*Performance Allocation*

The General Partner will be entitled to an additional share of the net income of the Limited Partnership if certain conditions are satisfied (the "**Performance Allocation**").

The Performance Allocation shall be an amount equal to the aggregate of: (a) 100% of the realized gains and income earned on investments in portfolio companies in excess of a 12% annual average rate of return on such investments up to and including a 15% annual average rate of return on such investments; and (b) 20% of the realized gains and income earned on such investments in excess of the 15% annual average rate of return earned on such investments.

In order for the Performance Allocation to be allocable to the General Partner, the following conditions (the "**Performance Allocation Conditions**") must be satisfied: (a) the total net realized and unrealized gains and income from the Limited Partnership from its portfolio of eligible investments since January 1, 1997 must have generated a return greater than the annualized average rate of return on five year Guaranteed Investment Certificates offered by a Schedule 1 Canadian chartered bank plus 2%; (b) the compounded annual rate of return (including realized and unrealized gains and income) from the particular eligible investment since its acquisition by the Limited Partnership (or the Fund for investments held by the Fund and transferred to the Limited Partnership in the Transaction) must equal or exceed 12% per annum; and (c) the Limited Partnership (including the time such investments were held by the Fund for investments held by the Fund and transferred to the Limited Partnership in the Transaction) must have recouped an amount equal to all capital or principal invested in the particular investment.

The General Partner will receive advance distributions in respect of its entitlement to the Performance Allocation, calculated and paid quarterly in arrears, as of the last day of each calendar quarter.

*Allocation of Income to the General Partner*

To the extent that the net income of the Limited Partnership is insufficient in any year to fully allocate an amount equal to the Priority Profit Quantum and the Performance Allocation for the year to the General Partner, the differential will be carried forward and factored into the allocation of the net income of the Limited Partnership in subsequent years, including in the year in which the termination of the General Partner occurs.

*Reimbursement of Expenses*

The General Partner will also be entitled to be reimbursed for the reasonable fees and expenses relating to the operation of T1 General Partner Corp. as it pertains to the business of the Limited Partnership (the "**LP Board Expenses**").

*Indebtedness of Directors and Executive Officers*

None of the directors, executive officers or their respective associates or Affiliates of T1 General Partner Corp. is or has been indebted to the Limited Partnership at any time.

*Fees Payable to the LP Investment Advisor*

Under the LP Advisory Agreement, the General Partner will make payments to the LP Investment Advisor as consideration for the investment advisory services to be provided by the LP Investment Advisor. The Limited Partnership will have no obligation to make payments to the LP Investment Advisor as consideration for the investment advisory services.

*LP Advisory Agreement*

The Limited Partnership, the General Partner and B.E.S.T. Investment Counsel Limited will enter into the LP Advisory Agreement, pursuant to which B.E.S.T. Investment Counsel Limited, among other things, will be engaged to (i) provide oversight and advice to the General Partner in respect of the investment activities of the Limited Partnership; (ii) assist the General Partner in the formulation of the investment objectives, restrictions and procedures of the Limited Partnership; and (iii) assist the General Partner in analyzing and evaluating potential investments.

The LP Advisory Agreement will provide that the LP Investment Advisor shall exercise its powers and discharge its duties honestly, in good faith, with a view to the best interests of the Limited Partnership and in connection therewith shall exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances.

The services of the LP Investment Advisor (and its employees) are not exclusive to the Limited Partnership. Accordingly, the LP Investment Advisor (and its employees) may provide services to other parties similar to those services provided to the Limited Partnership.

Unless the LP Advisory Agreement is otherwise terminated in accordance with its terms, the agreement will terminate upon the dissolution, winding up or termination of the Limited Partnership. The LP Advisory Agreement may be terminated by the Limited Partnership in certain circumstances, including certain events of bankruptcy affecting the LP Investment Advisor, if the LP Investment Advisor commits an act of fraud or loses its registration with the Ontario Securities Commission or if the LP Investment Advisor is in material default in the performance of its duties.

B.E.S.T. Investment Counsel Limited also acts as the manager and investment advisor of B.E.S.T Total Return Fund Inc., a labour sponsored investment fund. The head office and principal place of business of the LP Investment Advisor is 15 Toronto Street, Suite 400, Toronto, Ontario M5C 2E3.

*Conflicts of Interest*

As a general principle, B.E.S.T. Investment Counsel Limited shall, in providing investment management and/or advisory services, treat all its clients and any conflicts that may arise in a fair and equitable manner. In the event that B.E.S.T. Investment Counsel Limited is aware of or involved in a proposed investment opportunity which it believes meets the investment criteria of more than one client, then the investment opportunity shall be offered to all clients of B.E.S.T. Investment Counsel Limited on a *pro rata* basis based on the amount each client is willing to invest. If one of B.E.S.T. Investment Counsel Limited's clients has a pre-existing stake in a proposed investment opportunity, such client may participate in the investment opportunity, in priority to other of B.E.S.T. Investment Counsel Limited's clients, to the extent necessary to maintain its proportionate undiluted ownership interest in the investment.

The General Partner will be reimbursed for certain of its expenses by the Limited Partnership.

**Operating Expenses**

The Limited Partnership will pay all of its operating expenses, including (i) legal, audit and valuation costs and fees of other specialized consultants or professional service providers of the Limited Partnership; (ii) accounting expenses; (iii) unitholder reporting costs and regulatory filing fees; (iv) expenses relating to the making, holding and divestiture of investments or proposed investments, whether or not consummated; (v) fees and expenses relating to compliance with securities laws, including newswire, mailing, printing and other expenses incurred in connection with the Limited Partnership's continuous disclosure obligations; (vi) fees and expenses relating to the listing of the Units and compliance with applicable listing requirements; (vii) the LP Management Fee; (viii) the LP Board Expenses, to the extent incurred; (ix) the fees and expenses of the custodian and the transfer agent of the Limited Partnership and CDS; (x) expenses relating to the administration of any distribution reinvestment plan; (xi) expenses relating to meetings of the Limited Partners; (xii) all litigation-related and indemnification-related costs and

expenses; (xiii) storage costs and lease and rent expenses; (xiv) the fees payable to the independent directors of T1 General Partner Corp., and the cost of providing directors and officers liability insurance coverage for the directors and officers; (xv) any expenditures which may be incurred in connection with the dissolution of the Limited Partnership; and (xvi) any taxes (other than income taxes) relating to any of the foregoing expenses. To the extent the Limited Partnership utilizes a loan to make investments in portfolio companies, any interest charged on the loans will be paid by the Limited Partnership.

The General Partner will allocate expenses relating solely to one class of Units only to that class, and otherwise will allocate expenses as it deems equitable when allocating the Net Income/Net Loss of the Limited Partnership among the members of the Limited Partnership.

The Limited Partnership will reimburse the General Partner for any reasonable out-of-pocket expenses incurred by the General Partner or its agents in the ordinary course of business or other costs and expenses incidental to acting as General Partner so long as the General Partner is not in default of its obligations under the Limited Partnership Agreement.

**Directors' and Officers' Liability Insurance and Indemnifications**

The Limited Partnership is expected to purchase and maintain director's and officer's liability for and on behalf of the directors and officers of T1 General Partner Corp. No director or officer will pay any premium for such insurance. It is expected that the insurance will be payable in the case of each applicable loss incurred by a director and/or officer up to the aggregate limit set out in the policy, and a deductible will be required to be paid in the case of each indemnification.

It is expected that the Fund directors and officers and the directors of the Manager will be indemnified by the Limited Partnership for certain matters. See "Risk Factors".

**Cease Trade Orders, Sanctions and Bankruptcies**

*Cease Trade Orders*

No director or executive officer of T1 General Partner Corp., or a shareholder holding a sufficient number of securities of T1 General Partner Corp. to affect materially the control of T1 General Partner Corp. is, or was within ten years before the date of this Circular, a director or executive officer of any company, that while that person was acting in that capacity:

a) was subject to 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

b) 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.

*Bankruptcies*

No director or executive officer of T1 General Partner Corp., or a shareholder holding a sufficient number of securities of T1 General Partner Corp. to affect materially the control of T1 General Partner Corp.:

a) is, or was within ten years before the date of this Circular, a director or executive officer of any company, that while that person was acting in that capacity, 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 Circular, 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 the assets of the director, officer or shareholder.

*Penalties or Sanctions*

No director or executive officer of T1 General Partner Corp. or a shareholder holding a sufficient number of securities of T1 General Partner Corp. to affect materially the control of T1 General Partner Corp., has been subject to:

a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement with a securities regulatory authority; or

b) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor in making an investment decision.

**Corporate Governance**

The board of directors of T1 General Partner Corp. facilitates its exercise of supervision of the Limited Partnership management through frequent meetings. The board of directors of T1 General Partner Corp. is comprised of three individuals, of whom one is independent within the meaning of section 1.4 of NI 52-110.

New directors will attend a briefing with existing directors on all aspects of the nature and operation of the Limited Partnership's business from senior management of T1 General Partner Corp. Directors will be given the opportunity to attend and participate in seminars and continuing education programs. Outside experts may be retained as appropriate to provide directors with ongoing education on ongoing and/or specific subject matters.

The board of directors of T1 General Partner Corp. does not have a written mandate. The board will set the roles and responsibilities of any chair of the board or of any committee by consensus among the directors from time to time.

T1 General Partner Corp. believes that the fiduciary duties placed on each of the individuals on the board of directors of T1 General Partner Corp. by the governing corporate legislation, the common law and restrictions placed by applicable corporate legislation on an individual director's participation in decisions of the board of directors in which the director has an interest, is sufficient to ensure that the board of directors of T1 General Partner Corp. operates in the best interests of the Limited Partnership. Directors who have or may be reasonably perceived to have a personal interest in a transaction or agreement being contemplated by T1 General Partner Corp. or the Limited Partnership are required to submit such interest in writing or declare such interest at any meeting at which the matter is being considered and, where appropriate, leave the meeting during discussion and abstain from voting on such matter. T1 General Partner Corp. encourages and promotes a culture of ethical business conduct by expecting each director and officer to act in a manner that exemplifies ethical business conduct.

If a director ceases to hold office, the remaining directors will identify potential candidates for nomination to the board, with a view to ensuring overall diversity of experience and skill. 1209762 Ontario Inc., as sole shareholder of T1 General Partner Corp., will be entitled to elect all directors.

The board of directors is responsible for determining compensation for the directors of T1 General Partner Corp. to ensure it reflects the responsibilities and risks of being a director. The board does not have a compensation committee or any committee other than the audit committee. Due to the minimal size of the board of directors, no formal policy has been established to monitor the effectiveness of the board of directors.

None of the directors of T1 General Partner Corp. are directors of any reporting issuer.

**Summary of the Limited Partnership Agreement**

The rights and obligations of the Limited Partners and the General Partner are governed by the Limited Partnership Agreement, the *Limited Partnerships Act* (Ontario) and applicable legislation in each jurisdiction in which the Limited Partnership carries on business. The statements in this Circular concerning the Limited Partnership Agreement summarize only some of its provisions and do not purport to be complete. Reference should be made to the Limited Partnership Agreement the existing form of which is attached as Appendix "G" to this Circular for the complete details of these and other provisions therein.

*Purchases*

Purchases will be received subject to acceptance or rejection in whole or in part by the General Partner on behalf of the Limited Partnership. Registrations of interests in the Units will be made through the book-based system administered by CDS. A certificate representing those Units in the system will be issued in registered form only to CDS or its nominee and will be deposited with CDS on each issuance of Units (including on the Effective Date). A subscriber who purchases Units will receive only a customer confirmation from the registered dealer or broker from or through whom he or she has purchased Units and who is a CDS Participant. CDS will record the CDS participants who hold Units on behalf of owners who have purchased Units in accordance with the book-based system. Those Units in the system may be purchased and transferred through a CDS Participant and all rights of such holders of Units are required to be exercised through and all payments or other property to which such holders are entitled are made or delivered by, CDS or the CDS Participant through which the holders hold such Units.

*Limited Partners*

A subscriber whose purchase of Units has been accepted by the General Partner will become a Limited Partner upon the entering of his or her name on the record of Limited Partners (the "**Record**") and the General Partner executing the Limited Partnership Agreement on behalf of the subscriber. Limited Partners will not be permitted to take part in the control of the business of the Limited Partnership.

*Units*

The interests of the Limited Partners will be divided into and represented by an unlimited number of Units. The Limited Partnership will be permitted to issue various classes of Units, the rights, privileges, restrictions and conditions of each to be determined by the General Partner. Each Unit of a class entitles the holder thereof to the same rights and obligations as the holder of any other Units of that class and no Limited Partner of a class is entitled to any preference, priority or right in any circumstance over any other such Limited Partner. Meetings of the Limited Partners may be called by the General Partner at any time; however, the General Partner is not required to call annual general meetings of the Limited Partners. Each Unit carries the right to one vote at all meetings of the Limited Partners. Fractional units may not be issued.

Capital attributable to the Units will not be subject to the pacing requirements of the Ontario Act and purchasers thereof would not qualify for the Federal Credit.

The acceptance by the General Partner of a Shareholder's purchase of Units (made in connection with the implementation of the Transaction), whether in whole or in part, will constitute a purchase agreement between the former Shareholder and the Limited Partnership, upon the terms and conditions set out in this Circular, which shall be evidenced by delivery of a confirmation of purchase of Units, provided that the purchase has been accepted by the General Partner on behalf of the Limited Partnership. Joint purchases of Units will be accepted. **Pursuant to the Limited Partnership Agreement, each Shareholder who becomes a Limited Partner will, among other things, acknowledge that such person is bound by the terms of the Limited Partnership Agreement and is liable for all obligations of a Limited Partner, makes or is deemed to make the representations and warranties set out in the Limited Partnership Agreement, including that he or she is not a "non-resident" for the purposes of the Tax Act or an entity an interest in which is a "tax shelter investment" for purposes of the Tax Act or a "non-Canadian" within the meaning of the *Investment Canada Act*, and will irrevocably nominate, constitute and appoint the General Partner as his or her true and lawful attorney, with full power**

**and authority as set out in the Limited Partnership Agreement.** In the event the General Partner determines that Units have been issued to one or more persons described above and such Units are not redeemed or sold to a person qualified to hold Units, such Units will be deemed to be void ab initio and deemed never to have been issued (and such person will only be entitled to the fair value of their Units as of the original purchase date).

The Units are not currently in continuous distribution. Subject to the requirements of any applicable stock exchange, the Limited Partnership may issue Units at any time and from time to time to persons, in the manner, on the terms and conditions and for the issue prices determined by the General Partner, including for property. **Units may not be held by "non-residents" of Canada for purposes of the Tax Act, an entity an interest in which is a "tax shelter investment" for purposes of the Tax Act or a "non-Canadian" within the meaning of the *Investment Canada Act*.** There are no restrictions as to the maximum number of Units that a Limited Partner may hold in the Limited Partnership, subject to the limitations on the number of Units that may be held by "financial institutions" for purposes of the Tax Act.

The Initial Limited Partner has contributed the sum of $100 to the capital of the Limited Partnership. The initial Unit issued to the Initial Limited Partner will be redeemed, and such capital contribution repaid, on the Effective Date. The General Partner is not required to subscribe for any Units or otherwise contribute further capital to the Limited Partnership.

The Units may be redeemed by the Limited Partnership without notice on any date fixed by the General Partner if the redemption is considered necessary by the General Partner, including to ensure that the Limited Partnership complies with legislation or regulatory requirements applicable to the Limited Partnership. Subject to applicable law and any applicable regulatory requirements, the Limited Partnership will have the right, but not the obligation, exercisable in its sole discretion, to purchase for cancellation outstanding Units in the market from time to time.

*Financing Acquisition of Units*

Under the terms of the Limited Partnership Agreement, each Limited Partner represents and warrants that no portion of the subscription price for his or her Units has been financed with any borrowing the unpaid principal of which is or will be a "limited-recourse amount" for the purposes of the Tax Act. Under the Tax Act, if a Limited Partner finances the acquisition of Units with a limited-recourse amount the expenses incurred by the Limited Partnership may be reduced. The Limited Partnership Agreement provides that where the expenses incurred by the Limited Partnership are so reduced and such reduction results in the reduction of a loss to the Limited Partnership the General Partner will reduce the amount of that loss which would otherwise be allocated to that Limited Partner by the amount of such reduction, before allocation of that loss to the other Limited Partners. **Persons who propose to borrow or otherwise finance the subscription price of Units should consult their own tax and professional advisors to ensure that the unpaid principal amount of any such borrowing or financing will not be a limited-recourse amount.**

*Transfer of Units*

The General Partner, or its agent, will maintain the Record of Limited Partners which contains the name and address of each Limited Partner and the number of Units held by each Limited Partner. No change of name or address of a Limited Partner, no transfer of a Unit of a Limited Partner and no admission of a substituted Limited Partner (including any nominee holder or an agent or representative acquiring such Units for the account of another person) in the Limited Partnership will be effective for purposes of the Limited Partnership Agreement until all reasonable requirements as determined by the General Partner with respect thereto have been met. No name or address of a Limited Partner can be changed and no transfer, substitution or addition of a Unit of a Limited Partner can be recorded except pursuant to a notice received by the General Partner. **Prior to transferring any Units, Limited Partners should speak with their investment advisor/dealer to ensure their advisor and/or dealer is aware of the transfer restrictions and restrictions on persons permitted to hold Units as set out in the Limited Partnership Agreement.**

Subject to any rules and regulations with respect to transfers promulgated by any stock exchange on which the Units are listed, and the Limited Partnership Agreement, Units may be transferred by a Limited Partner or his or her

agent duly authorized in writing to any person but such person will not be recorded on the Record as the holder of the Units so transferred nor, if such person is not a Limited Partner, be entitled to become a Limited Partner unless such person has delivered to the General Partner upon request a transfer form completed and executed in a manner acceptable to the General Partner.

Under the Limited Partnership Agreement, Units may be transferred by a Limited Partner subject to the following conditions:

1) on request of the General Partner, the Limited Partner must deliver to the LP Transfer Agent a form of transfer and power of attorney duly completed and executed by the Limited Partner, as transferor, and the transferee and other necessary documentation duly executed, together with such evidence of the genuineness of the endorsement, execution and authorization thereof and of such other matters as may reasonably be required by CDS and/or the LP Transfer Agent;

2) the transfer of Units must be recorded in the book-based system;

3) the transferee will not become a Limited Partner in respect of the Unit transferred to him or her until the prescribed information has been entered on the Record of Limited Partners, if any;

4) no transfer of a Unit shall cause the dissolution of the Limited Partnership;

5) no transfer of a fractional part of a Unit (if any) shall be recognized;

6) any transfer of a Unit is at the expense of the transferee (but the Limited Partnership will be responsible for all costs in relation to the preparation of any amendment to the Limited Partnership's Record and similar documents in jurisdictions other than Ontario); and

7) no transfer of Units will be accepted by the LP Transfer Agent after notice of dissolution of the Limited Partnership is given to Limited Partners.

A transferee of Units agrees to become bound and subject to the Limited Partnership Agreement as a Limited Partner as if the transferee had personally executed the Limited Partnership Agreement and to grant the power of attorney provided for in the Limited Partnership Agreement. In addition, such transferee shall be deemed to have made the representations, warranties and covenants of a Limited Partner set out in the Limited Partnership Agreement, including that the transferee is not a "non-resident" for purposes of the Tax Act and is not a "non-Canadian" for purposes of the *Investment Canada Act*, that no holder of an interest in the transferee is a "tax shelter investment" as defined in the Tax Act, that the transferee is not a partnership (except a "Canadian partnership" for purposes of the Tax Act), that the transferee is not a "financial institution" for purposes of the Tax Act (unless written notice to the contrary has been provided), that the acquisition of Units by the transferee was not, and will not be, financed through indebtedness which is a limited-recourse amount and that he or she will continue to comply with these representations, warranties and covenants during the time that the Units are held by him or her. If the General Partner reasonably believes the transferee has financed the acquisition of Units with indebtedness that is a limited-recourse amount, it will reject the transfer. The General Partner has the right to reject the transfer of Units, in whole or in part, to a transferee who it believes to be a "non-resident" for the purposes of the Tax Act, a "non-Canadian" for the purposes of the *Investment Canada Act*, a person an interest in which is a "tax shelter investment" for purposes of the Tax Act, a "financial institution" for purposes of the Tax Act or, if a partnership, is not a "Canadian partnership" for purposes of the Tax Act. In addition, the General Partner may reject any transfer: (a) if in the opinion of counsel to the Limited Partnership such transfer would result in the violation of any applicable securities laws or other laws or have a material adverse effect on the Limited Partnership; or (b) if the General Partner believes that the representations and warranties provided by the transferee are untrue.

Under certain circumstances, the General Partner may require any Limited Partner who becomes a "non-resident", or an interest in which becomes a "tax shelter investment", for the purposes of the Tax Act to transfer the Limited Partner's Units to one or more persons who are not non-residents of Canada and no interest in which is a tax shelter investment. If the Limited Partner does not sell the Limited Partner's Units as required, the General Partner has the

right pursuant to the Limited Partnership Agreement to sell, on behalf of the Limited Partnership, such Units to a person who is qualified to hold Units. In the event the General Partner determines that Units have been transferred to one or more persons described above and such Units are not sold to a person qualified to hold Units, such Units may be redeemed by the General Partner.

The Limited Partnership Agreement provides that if the General Partner becomes aware that the beneficial owners of 45% or more of the Units then outstanding are, or may be, "financial institutions" for purposes of the Tax Act or that such a situation is imminent, among other rights set forth in the Limited Partnership Agreement, the General Partner has a right to refuse to issue Units or register a transfer of Units to any person unless that person provides a declaration that it is not a "financial institution" for purposes of the Tax Act.

*Compulsory Purchase and Sale of Units*

If, within 120 days after the date of a take-over bid, as defined in the *Securities Act* (Ontario), the take-over bid is accepted by the holders of not less than 90% of the outstanding Units, other than Units held at the date of the take-over bid by the offeror or any affiliate or associate of the offeror and the offeror acquires all of such Units deposited or tendered under the take-over bid, the offeror will be entitled to acquire the Units not deposited under the take-over bid on the same terms as the Units acquired under the take-over bid.

*Functions and Powers of the General Partner*

The General Partner has the exclusive authority, responsibility and obligation to administer, manage, conduct, control and operate the business and affairs of the Limited Partnership and has all power and authority, for and on behalf of and in the name of the Limited Partnership, to do any act, take any proceeding, make any decision and execute and deliver any instrument, deed, agreement or document necessary or appropriate for or incidental to carrying on the business of the Limited Partnership. The authority and power so vested in the General Partner is broad and includes all authority necessary or incidental to carry out the objects, purposes and business of the Limited Partnership. The General Partner may contract with any third party to carry out the duties of the General Partner under the Limited Partnership Agreement and may delegate to such third party any power and authority of the General Partner under the Limited Partnership Agreement where in the discretion of the General Partner it would be in the best interests of the Limited Partnership to do so, but no such contract or delegation will relieve the General Partner of any of its obligations under the Limited Partnership Agreement.

The General Partner will be responsible for all aspects of the management, operation and administration of the Limited Partnership, including (i) identifying, screening, monitoring, managing and disposing of the Limited Partnership's investments; (ii) providing such services as are reasonably required in respect of the Limited Partnership's day-to-day operations; (iii) retaining and supervising one or more investment advisors; (iv) formulating the investment objectives, restrictions and procedures of the Limited Partnership and negotiating the terms of investments; (v) determining the amount and timing of distributions and administering any distribution re-investment plan; (vi) maintaining the books and records of the Limited Partnership; and (vii) preparing all continuous disclosure documents and other documents required to comply with securities law and listing requirements in respect of the Limited Partnership and all material in connection with meetings of Limited Partners. The General Partner will implement all aspects of the Limited Partnership's communications and marketing strategy.

The General Partner also has the authority to engage such counsel, auditors and other professionals or consultants as the General Partner considers advisable in order to perform its duties under the Limited Partnership Agreement and to monitor the performance of such advisors and to grant security, encumbrances or restrictions on behalf of the Limited Partnership. The General Partner will execute and file with any governmental body any documents necessary or appropriate to be filed in connection with the business of the Limited Partnership or in connection with the Limited Partnership Agreement. The General Partner may raise capital on behalf of the Limited Partnership by offering Units for sale, subject to any necessary regulatory approvals. The General Partner may distribute property in accordance with the provisions of the Limited Partnership Agreement, and has the authority to make on behalf of the Limited Partnership and each Limited Partner, in respect of each such Limited Partner's interest in the Limited Partnership, any and all elections, determinations or designations under the Tax Act or any other taxation or other legislation or laws of like import of Canada or any province or jurisdiction, and to file on behalf of the Limited

Partnership and each Limited Partner, in respect of such Limited Partner's interest in the Limited Partnership, any information return required to be filed in respect of the activities of the Limited Partnership under the Tax Act or any other taxation or other legislation or laws of like import of Canada or any province or jurisdiction.

The General Partner is generally required to exercise its powers and discharge its duties honestly, in good faith, and in the best interests of the Limited Partnership and shall, in discharging its duties, exercise the degree of care, diligence and skill that a reasonably prudent and qualified manager would exercise in discharging its duties in similar circumstances. During the existence of the Limited Partnership, the officers of T1 General Partner Corp. will devote such time and effort to the business of the Limited Partnership as may be necessary for the Limited Partnership and the mutual interests of the Limited Partners.

Under the Limited Partnership Agreement, the Limited Partnership has agreed to indemnify the General Partner and the officers, directors, employees, agents and shareholders of the general partner of the General Partner and certain other persons from any and all actions, claims, suits, causes of action, losses, charges, damages and expenses (including reasonable legal fees and disbursements) suffered or incurred by the General Partner save and except where the liability relates to the breach by the General Partner of its standard of care or with respect to any liabilities or losses arising from or related to the allocation of amounts to the General Partner as set out in this Circular or the Limited Partnership Agreement.

*Removal of the General Partner*

The General Partner may resign as the general partner of the Limited Partnership at any time upon giving at least 90 days' written notice to the Limited Partners, provided the General Partner nominates a qualified successor whose admission to the Limited Partnership as a general partner is ratified by the Limited Partners by Limited Partner Special Resolution within such period. Such resignation will be effective upon the earlier of: (i) 90 days after such notice is given, if a meeting of Limited Partners is called to ratify the admission to the Limited Partnership as a general partner of a qualified successor; and (ii) the date such admission is ratified by the Limited Partners by Limited Partner Special Resolution. The General Partner will be deemed to have resigned upon bankruptcy or dissolution and in certain other circumstances and a new general partner must be appointed by Limited Partners by Limited Partner Special Resolution within 90 days' notice of such event.

The General Partner may be removed as the general partner of the Limited Partnership, with or without cause, if Limited Partners holding at least 20% of the outstanding Units provide a notice to the General Partner requisitioning a meeting for the purpose of holding a vote to remove the General Partner and specifying a replacement general partner, and Limited Partners holding at least two-thirds of the Units represented at such meeting vote in favour of such removal, provided that a qualified successor has been admitted to the Limited Partnership as the general partner and has been appointed as the general partner of the Limited Partnership by Limited Partner Special Resolution. Notwithstanding the foregoing, the General Partner shall not be removed in respect of a breach that may be cured of a breach under the Limited Partnership Agreement unless it has received written notice thereof from a Limited Partner and has failed to remedy such a breach within 20 Business Days of receipt of such notice.

It is a condition precedent to the resignation or removal of the General Partner that the Limited Partnership shall pay all amounts payable by the Limited Partnership to the General Partner pursuant to the Limited Partnership Agreement accrued to the date of resignation or removal.

Upon the resignation, replacement or removal of a general partner, the general partner ceasing to so act is required to transfer title of any assets of the Limited Partnership in its name (or, if itself a limited partnership, in the name of its general partner if so registered) to the new general partner.

*Fees and Expenses*

The Limited Partnership Agreement provides for the payment of certain fees and the reimbursement of certain expenses. See "Executive Compensation and Management Arrangements – Reimbursement of Expenses".

*Distributions*

The General Partner intends to make regular distributions, which would be assessed on a quarterly basis, to the Limited Partners, having regard to the income received or anticipated to be received from the portfolio companies held by the Limited Partnership as well as the fees, expenses and other obligations of the Limited Partnership. All distributions will be paid rateably to Limited Partners of record on the Distribution record date in proportion to the number of Units held on that date.

The General Partner may implement a distribution reinvestment plan, which would permit the reinvestment of a Limited Partner's cash distributions in additional Units of the Limited Partnership.

*Allocation of Income and Loss*

Limited Partners will share in net profits and losses of the Limited Partnership as set out in the Limited Partnership Agreement.

For each fiscal year of the Limited Partnership, the Net Income of the Limited Partnership will be allocated as follows:

(1) the greater of: (a) 0.001% of the Net Income of the Limited Partnership and (b) the lesser of (i) the Net Income of the Limited Partnership for the fiscal year, and (ii) an amount equal to the aggregate of (A) the Priority Profit Quantum for the fiscal year; and (B) the amount allocable in respect of a Performance Allocation for the fiscal year, will be allocated to the General Partner, and

(2) the remainder of the Net Income of the Limited Partnership, if any, will be allocated to the Limited Partners on a *pro rata* basis among the Limited Partners who are shown as such on the Record of Limited Partners maintained by the General Partner on the last day of such fiscal year.

For each fiscal year of the Limited Partnership, 99.999% of the Net Loss of the Limited Partnership will be allocated *pro rata* among the Limited Partners who are shown as such on the Record of Limited Partners maintained by the General Partner on the last day of such fiscal year, and 0.001% of the Net Loss of the Limited Partnership will be allocated to the General Partner.

Any determination made by the General Partner as to the allocation of Net Income and Net Losses of the Limited Partnership is final and binding on the Limited Partners.

*Limited Liability of Limited Partners*

The General Partner has unlimited liability for the debts, liabilities and obligations of the Limited Partnership to the extent that they exceed the assets of the Limited Partnership. The General Partner will have no significant financial resources or assets. Subject to the laws of the jurisdictions in which the Limited Partnership may carry on business, the liability of each Limited Partner for the debts, liabilities and obligations of the Limited Partnership is limited to the amount contributed in respect of each Limited Partner's Units, any undistributed income and any contributed capital returned by the Limited Partnership with interest.

Limitation of the liability of a Limited Partner will be lost by a Limited Partner who takes part in the control of the business of the Limited Partnership or in circumstances where a false statement has been made in the Limited Partnership declaration and a person, in reliance upon that statement, has suffered injury or loss by reason of the false statement or who becomes aware that the Record contains a false or misleading statement and fails within a reasonable period of time to take steps to cause the Record to be corrected. Limited Partners may also lose the protection of limited liability if the Limited Partnership carries on business in a jurisdiction which does not recognize the limitation of liability conferred under the *Limited Partnerships Act* (Ontario). The principles of law in the various jurisdictions of Canada recognizing the limited liability of limited partners of limited partnerships subsisting under the laws of one province or territory but carrying on business in another province or territory may not have been authoritatively established.

The Limited Partnership will, prior to opening an office in or making any investment in any portfolio company organized under the laws of a jurisdiction outside of Ontario, confirm that under the laws of such jurisdiction the limited liability of the Limited Partners will be recognized to the same extent in all material respects that such liability is limited under the laws of the Province of Ontario, and that the General Partner has taken all reasonable steps (including making registrations or filings) necessary or advisable under the laws of that jurisdiction to ensure that the Limited Partners benefit from such limited liability. The General Partner will cause the Limited Partnership to be qualified or registered under applicable limited partnership statutes or similar laws in any jurisdiction in which the Limited Partnership owns property or transacts business if and to the extent that such qualification or registration is, in the reasonable opinion of the General Partner, necessary in order to protect the limited liability of the Limited Partners or to permit the Limited Partnership to lawfully own property or to transact business.

No assurance can be given that the laws of the jurisdictions in which the Limited Partnership invests will recognize the limitation of liability conferred by the *Limited Partnerships Act* (Ontario). In order to protect the Limited Partnership's assets and to preserve the limited liability of the Limited Partners with respect to activities of the Limited Partnership carried on in certain jurisdictions where limited liability may not be recognized, the General Partner will indemnify the Limited Partners from any loss, liability, expense or damage suffered or incurred by a Limited Partner by reason that liability of the Limited Partner is not limited in the circumstances specified in the Limited Partnership Agreement. However, the General Partner has limited financial resources which may affect its ability to actually indemnify Limited Partners. The General Partner is itself a limited partnership. See "Risk Factors".

*Liability of General Partner and Indemnification of Limited Partners*

The General Partner has unlimited liability for the obligations of the Limited Partnership and has agreed to indemnify and hold harmless each Limited Partner against losses, liabilities, expenses and damages suffered by such Limited Partner if the Limited Partners' liabilities are not limited as provided herein, provided that such loss of limited liability was caused by an act or omission of the General Partner or by the gross negligence or wilful misconduct in the performance of, or wilful disregard or breach of, the obligations or duties of the General Partner under the Limited Partnership Agreement. However, such indemnity will apply only with respect to losses in excess of the agreed capital contribution of the Limited Partner (which, for purposes of the Transaction, should be the value of the Units received). The General Partner is expected to have only nominal assets and, therefore, the indemnity of the General Partner will have nominal value. Limited Partners also will not be able to rely upon the General Partner to provide any additional capital or loans to the Limited Partnership.

The General Partner has also agreed to indemnify and hold harmless the Limited Partnership from and against any costs, damages, liabilities, expenses, or losses suffered or incurred by the Limited Partnership resulting from or arising out of gross negligence or wilful misconduct in the performance of, or wilful disregard or breach of, the obligations or duties of the General Partner under the Limited Partnership Agreement. The General Partner (and its general partner) currently has and will have minimal financial resources or assets and, accordingly, such indemnities of the General Partner will have only nominal value.

The General Partner will not be liable to the Limited Partners for any mistakes or errors in judgement, or for any act or omission believed by it in good faith to be within the scope of the authority conferred upon it by the Limited Partnership Agreement (other than an act or omission which is in contravention of the Limited Partnership Agreement or which results from or arises out of the General Partner's gross negligence or wilful misconduct in the performance of, or wilful disregard or breach of, a material obligation or duty of the General Partner under the Limited Partnership Agreement) or for any loss or damage to any of the property of the Limited Partnership attributable to an event beyond the control of the General Partner or its affiliates.

In any action, suit or other proceeding commenced by a Limited Partner against the General Partner, other than a claim for indemnity pursuant to the Limited Partnership Agreement, the Limited Partnership shall bear the reasonable expenses of the General Partner in any such action, suit or other proceeding in which or in relation to which the General Partner is adjudged not to be in breach of any duty or responsibility imposed upon it by the Limited Partnership Agreement, otherwise, such costs will be borne by the General Partner.

*Meetings of Limited Partners*

The Limited Partnership will not hold annual general meetings. The General Partner may call a special meeting of the Limited Partners at any time. The General Partner will be required to convene a meeting upon receipt of a request in writing from Limited Partners holding, in aggregate, not less than 20% of the Units outstanding. Each Limited Partner is entitled to one vote for each Unit held. The General Partner is entitled to one vote in its capacity as a general partner, except with respect to any resolution relating to the removal of the General Partner. Not less than 21 days' and not more than 60 days' notice will be given for any meeting of the Limited Partners. A quorum for a meeting of Limited Partners will consist of at least two Limited Partners present in person or represented by proxy and holding at least 10% of the Units outstanding, except for purposes of passing a Limited Partner Special Resolution to remove the General Partner, in which case one or more Limited Partners present in person and holding or representing by proxy at least 20% of the Units outstanding and entitled to vote will constitute a quorum. If a quorum is not present at a meeting within 30 minutes after the time fixed for the meeting, the meeting, if convened pursuant to a written request of Limited Partners, will be cancelled, but otherwise will be adjourned to such date not less than 10 days after the original meeting date. At such adjourned meeting, those Limited Partners present in person or by proxy will constitute a quorum.

Unless a greater majority is required by the laws applicable to the Limited Partnership or the Limited Partnership Agreement, the approval of the Limited Partners is deemed to be given if expressed by a resolution passed by at least a majority of the votes cast at a meeting of Limited Partners or each class of Limited Partners, as the case may be, called to consider such resolution. Meetings of the Limited Partners are to be held in Ontario.

*Reporting to Limited Partners*

The Limited Partnership's fiscal year will be the calendar year. The General Partner, on behalf of the Limited Partnership, will file on SEDAR or deliver to each Limited Partner, as applicable, such financial statements (including quarterly unaudited and annual audited financial statements) and other reports as are from time to time required by applicable law. The annual financial statements of the Limited Partnership shall be audited by the Limited Partnership's auditors, and the auditors will be asked to report on the fair presentation of the annual financial statements in accordance with IFRS. The General Partner, on behalf of the Limited Partnership, may seek exceptions from certain continuous disclosure obligations under applicable securities laws.

The General Partner will forward, or cause to be forwarded, to each Limited Partner, either directly or indirectly through CDS, the information necessary for the Limited Partner to complete such Limited Partner's Canadian federal and provincial income tax returns with respect to Limited Partnership matters for the preceding year within such time period as required by applicable law.

The General Partner will ensure that the Limited Partnership will comply with all other reporting and administrative requirements.

The General Partner is required to keep adequate books and records reflecting the activities of the Limited Partnership in accordance with normal business practices. The *Limited Partnerships Act* (Ontario) provides that any person may, on demand, examine the Record of limited partners. A Limited Partner has the right to examine the books and records of the Limited Partnership at all reasonable times. Notwithstanding the foregoing, a Limited Partner will not have access to any information which, in the opinion of the General Partner, should be kept confidential in the interests of the Limited Partnership and which is not required to be disclosed by applicable securities laws or other laws governing the Limited Partnership.

*Dissolution*

The Limited Partnership does not have a fixed termination date. It may be dissolved upon the occurrence of certain events stated in the Limited Partnership Agreement. The General Partner may, in its discretion, terminate the Limited Partnership without the approval of the Limited Partners if, in the opinion of the General Partner, it deems that the Limited Partnership is no longer economically viable or if the General Partner determines that termination of the Limited Partnership is otherwise appropriate. Upon termination, the assets of the Limited Partnership will be

distributed to the Limited Partners and the General Partner, following the payment of all debts and liabilities of the Limited Partnership or provision for same as the General Partner deems appropriate. Prior to the termination date, the General Partner will, in its discretion, take steps to convert all or any part of the assets of the Limited Partnership to cash or freely trading securities and the net assets will be distributed as to 0.001% to the General Partner and as to 99.999% to the Limited Partners in proportion to their ownership of Units. The General Partner may, in its sole discretion and upon not less than 30 days' prior written notice to the Limited Partners, extend the date for the termination of the Limited Partnership to a date not later than three months after the termination date if the General Partner has been unable to convert all of the Limited Partnership's assets to cash or freely trading securities and the General Partner determines that it would be in the best interests of the Limited Partners to do so. Should the liquidation of certain assets not be possible or should the General Partner consider such liquidation not to be appropriate prior to the termination date, such assets will be distributed to partners *in specie*, on a *pro rata* basis, subject to all necessary regulatory approvals and thereafter such property will, if necessary, be partitioned. See "Risk Factors".

*Power of Attorney*

The Limited Partnership Agreement includes a power of attorney coupled with an interest, the effect of which is to constitute it an irrevocable power of attorney. This power of attorney authorizes the General Partner on behalf of the Limited Partners, among other things, to execute the Limited Partnership Agreement, any amendments to the Limited Partnership Agreement, and all instruments necessary to reflect the dissolution of the Limited Partnership and distribution and partition of assets distributed to partners on dissolution, as well as any elections, determinations or designations under the Tax Act or taxation legislation of any province or territory with respect to the affairs of the Limited Partnership or a Limited Partner's interest in the Limited Partnership, including elections under subsection 85(2) and 98(3) of the Tax Act and the corresponding provisions of applicable provincial and territorial legislation in respect of the dissolution of the Limited Partnership. **By subscribing for Units, and in connection with the Transaction, each Shareholder acknowledges and agrees that he or she has given such power of attorney and will ratify any and all actions taken by the General Partner pursuant to such power of attorney.**

*Amendments*

The General Partner may, without prior notice to or consent from any Limited Partners, amend the Limited Partnership Agreement from time to time if such amendment is to add any provision which, in the opinion of the General Partner, is for the protection or benefit of the Limited Partners, is required to cure any manifest error or ambiguity or to correct or supplement any provision in the Limited Partnership Agreement that may be defective or inconsistent with another provision, or is required by law. Such amendments may only be made if they will not, in the opinion of the General Partner, materially adversely affect the rights of the Limited Partners.

The General Partner may, with the consent of the Limited Partners given by Limited Partner Special Resolution, amend the Limited Partnership Agreement provided that no amendment may be made that would have the effect of allowing any Limited Partner to participate in the control of the Limited Partnership's business; changing provisions concerning the General Partner's costs and expenses (unless the General Partner, in its sole discretion, consents thereto); reducing the interest in the Limited Partnership of any Limited Partner; changing the liability of the Limited Partners or the General Partner; changing the right of a Limited Partner or the General Partner to vote at any meeting; changing the Limited Partnership from a limited partnership to a general partnership (unless all of the Limited Partners consent thereto); or which would result in a denial or reduction of any income tax deductions or credits available to Limited Partners but for the amendment. The investment objective adopted by the Limited Partnership may only be changed by Limited Partner Special Resolution duly passed by the Limited Partners.

**Book-Entry System**

Registrations of interests in the Units will be made through the book-based system administered by CDS. A certificate representing those Units in the system will be issued in registered form only to CDS or its nominee and will be deposited with CDS on each issuance of Units (including on the Effective Date). A subscriber who purchases Units will receive only a customer confirmation from the registered dealer or broker from or through whom he or she has purchased Units and who is a CDS Participant. CDS will record the CDS participants who hold

Units on behalf of owners who have purchased Units in accordance with the book-based system. Those Units in the system may be purchased and transferred through a CDS Participant and all rights of such holders of Units are required to be exercised through, and all payments or other property to which such holders are entitled are made or delivered by, CDS or the CDS Participant through which the holders hold such Units.

CDS Participants include securities brokers and dealers, banks and trust companies. Under the Limited Partnership Agreement, each Limited Partner acknowledges and agrees that CDS is acting as his or her nominee for this purpose and acknowledges and consents to these arrangements. If CDS notifies the Limited Partnership that it is unwilling or unable to continue as depository in connection with such certificate, or if at any time CDS ceases to be a clearing agency or otherwise ceases to be eligible to be a depositary, the General Partner will make appropriate arrangements to replace the book-based system in an orderly fashion and to issue Unit certificates to the Limited Partners. No certificates for Units will be issued to Shareholders in connection with the Transaction except in extraordinary circumstances.

All distributions will be made by the Limited Partnership to CDS in respect of Units represented by the Unit certificate held by CDS. Any such distributions will be forwarded by CDS to the applicable CDS Participants and, thereafter, by such CDS Participants to the Limited Partners whose Units are represented by the certificate.

The ability of a holder of a Unit to pledge his or her Unit or take action with respect thereto (other than through a CDS Participant) may be limited due to the lack of physical certificates and the rights of the Limited Partnership under the Limited Partnership Agreement.

**Consolidated Capitalization**

The following table summarizes information concerning the outstanding securities of the Limited Partnership:

| **Description of security** | **Number authorized to be issued** | **Number outstanding and carrying value as at February 24, 2014** | **Number outstanding and carrying value after the Transaction** |
|---|---|---|---|
| Initial Limited Partner's Interest…… | 1 | 1 ($100)[(1)] | Nil[(1)] |
| Units…… | Unlimited | Nil | N/A[(2)] |

**Note:**

(1) Proceeds received from the Initial Limited Partner. Upon the Effective Date, the Limited Partnership will pay $100 to the Initial Limited Partner as a return of capital whereupon the Initial Limited Partner will cease to be a Limited Partner.

(2) The number of Units that will be outstanding subsequent to the Transaction cannot be determined in advance and will vary based on the number of outstanding Class A Shares and Class L Shares on the Effective Date, the Exchange Ratio and the number of Class A Shares and Class L Shares held by Dissenting Shareholders.

**General Partner**

The initial limited partner of the General Partner, 1209762 Ontario Inc., has an initial limited partner interest in the General Partner. The general partner of the General Partner is T1 General Partner Corp. All of the common shares of T1 General Partner Corp. are owned by 1209762 Ontario Inc. Mr. John M.A. Richardson, the Chief Executive Officer of TI General Partner Corp., controls 1209762 Ontario Inc. and is a director and officer of 1209762 Ontario Inc.

**Long Term Debt**

The Limited Partnership does not currently have any long term debt, but may in the future engage in borrowing. See "Objectives and Practices of the Limited Partnership". The amounts outstanding under such indebtedness from time to time will generally be paid down with the cash flow from the receipt of income from the investment portfolio, realization of cash proceeds on exits of investments from the investment portfolio and the repayment of debt investments in the investment portfolio. Such indebtedness may be secured by security interests, mortgages and other charges on the assets of the Limited Partnership.

**Prior Sales**

The following table summarizes information about the issuance of securities of the Limited Partnership during the last 12 months:

| Entity | Date of issuance | Type of security issued | Number of securities issued | Price per security | Gross proceeds |
|---|---|---|---|---|---|
| Limited Partnership…… | February 21, 2014 | Initial Limited Partner's Interest | 1 | $100 | $100 |

The General Partner was formed as a limited partnership under the laws of Ontario on February 20, 2014 and a limited partnership interest was issued to the initial limited partner as of that date.

**Principal Securityholders**

After giving effect to the Transaction, to the best of the knowledge of Management, no person will own, directly or indirectly, or exercise control or direction over Units carrying more than 10% of the votes attached to all of the issued and outstanding Units.

As of the date of this Circular, the following are the persons who have direct or indirect beneficial ownership of, control or direction over, or a combination thereof of, Units that constitute 10% or more of the outstanding Units.

| Name | Class | Ownership | Number of securities | Percentage of class prior to the Transaction | Percentage of class after the Transaction |
|---|---|---|---|---|---|
| Peter Hubenaar…… | Initial Limited Partner's Interest | Direct and of record and beneficial | 1 | 100% | Nil |

**The Promoters of the Limited Partnership**

B.E.S.T. Investment Counsel Limited and T1 General Partner Corp., corporations incorporated under the *Business Corporations Act* (Ontario) may be considered to be the promoters of the Limited Partnership as defined in applicable securities legislation by reason of their initiative in forming and establishing the Limited Partnership.

The name, municipality of residence, office or position held with each Promoter and principal occupation of each of the directors and senior officers of the Promoters, are set out under "Information Concerning the Limited Partnership – Directors and Officers of T1 General Partner Corp." and "Information Concerning the Fund – Management – Officers and Directors of the Manager". The Promoters will not receive any benefits, directly or indirectly, from the issuance of Units in the Transaction other than as described under "Executive Compensation and Management Arrangements" and "Interest of Management and Others in Material Transactions".

**Legal Proceedings**

Neither the General Partner nor the Limited Partnership are currently involved in any litigation or proceedings which are material either individually or in the aggregate to the business operations of the General Partner and/or the Limited Partnership, and, to the knowledge of Management of the Fund, no legal proceedings of a material nature involving the General Partner and/or the Limited Partnership are currently contemplated.

**Interest of Management and Others in Material Transactions**

T1 General Partner Corp. is an affiliate of the LP Investment Advisor. Two of the directors of T1 General Partner Corp. are also directors of the LP Investment Advisor, and all of the officers of T1 General Partner Corp. are also officers of the LP Investment Advisor. See "Information Concerning the Fund – Management – Officers and Directors of the Manager". To the knowledge of Management of the Fund, except as disclosed in this Circular, no director or officer of T1 General Partner Corp. has any interest in a material transaction involving the Limited Partnership or in any proposed material transaction involving the Limited Partnership.

**Auditor**

The auditor of the Limited Partnership is PricewaterhouseCoopers LLP, Chartered Professional Accountants, Toronto, Ontario. The address of the auditor is PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario M5J 0B2. PricewaterhouseCoopers LLP has advised that they are independent with respect to the Limited Partnership within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

**Registrar and Transfer Agent**

The Limited Partnership will enter into a registrar and transfer agency agreement (the "**LP Registrar and Transfer Agency Agreement**") with the LP Transfer Agent pursuant to which the LP Transfer Agent will provide certain Limited Partner recordkeeping and administration services and financial reporting services. The LP Transfer Agent will act as the registrar and transfer agent for the Units at its principal office in Toronto, Ontario.

The LP Registrar and Transfer Agency Agreement may be terminated early upon certain events of bankruptcy of the other party or if the other party commits or permits any material breach of the agreement which is not cured within 30 days notice or if any required licensing is not obtained.

Under the LP Registrar and Transfer Agency Agreement, the LP Transfer Agent will be entitled to a fee for its services in such amounts as may from time to time be agreed upon in writing by the Limited Partnership and the LP Transfer Agent.

**Administrator**

The Limited Partnership will retain Convexus Managed Services Inc. to perform accounting and certain administrative services from its principal office in Richmond Hill, Ontario for the Limited Partnership under an administration agreement (the "**Administration Agreement**"). Under the agreement, Convexus Managed Services Inc. will be entitled to a fee for its services in such amounts as may from time to be agreed upon in writing by the Limited Partnership and Convexus Managed Services Inc.

**Custodian**

Under a custodian agreement, CIBC Mellon Trust Company (and certain of its affiliates), the LP Custodian, will be retained to hold the Limited Partnership's investment portfolio and liquid assets in safekeeping for the Limited Partnership. The Limited Partnership will pay for custodial services on a direct cost basis. The address of the Custodian is 320 Bay Street, Sixth Floor, Toronto, Ontario M5H 4A6.

**Material Contracts**

The Limited Partnership has or intends to enter into the following contracts which are material to investors:

a) the Limited Partnership Agreement referred to under "Information Concerning the Limited Partnership – Summary of the Limited Partnership Agreement ";

b) the LP Advisory Agreement referred to under "Information Concerning the Limited Partnership – Executive Compensation and Management Arrangements – LP Advisory Agreement";

c) the custodian agreement referred to under "Information Concerning the Limited Partnership – Custodian";

d) the LP Registrar and Transfer Agency Agreement referred to under "Information Concerning the Limited Partnership – Registrar and Transfer Agent"; and

e) the Administration Agreement referred to under "Information Concerning the Limited Partnership – Administrator".

When available, copies of the foregoing contracts may be inspected during regular business hours at the principal place of business of the Limited Partnership at 15 Toronto Street, Suite 400, Toronto, Ontario M5C 2E3.

## PART VII – OTHER MEETING MATTERS

### Experts

Certain legal matters relating to the Transaction are to be passed upon by McMillan LLP on behalf of the Fund and the Manager. As at February 14, 2014, the partners and associates of McMillan LLP, as a group beneficially own, directly or indirectly, less than 1% percent of the issued and outstanding Shares.

PricewaterhouseCoopers LLP is the Fund's auditor, and such firm has prepared an opinion with respect to the Fund's financial statements for the financial years ended August 31, 2013 and 2012. PricewaterhouseCoopers LLP has prepared an opinion with respect to the Limited Partnership's financial statements as of February 21, 2014. PricewaterhouseCoopers LLP has confirmed that they are independent with respect to the Fund and the Limited Partnership within the meaning of the Rules of Professional Conduct prescribed by the various provincial institutes of chartered accountants.

### Additional Information

Additional information relating to the Fund can be found on SEDAR at www.sedar.com. Shareholders may obtain copies of the Fund's financial statements and management reports of fund performance by contacting the Fund at 15 Toronto Street, Suite 400, Toronto, Ontario M5C 2E3, calling 1.800.795.2378, emailing info@bestfunds.ca, or from the Internet at www.sedar.com or www.bestfunds.ca.

Financial information is provided in the Fund's comparative financial statements and management report of fund performance for its most recently completed financial year.

### Shareholders' Proposals

In the event the Transaction Resolution is not passed and the Fund continues to operate, persons entitled to vote at the next annual meeting of the Fund who wish to submit a proposal for consideration at such meeting must submit their proposal to the Fund by November 26, 2014.

### Interest of Management and Others in Material Transactions

Pursuant to the Management Agreement and the Management Advisor Agreement, B.E.S.T. Investment Counsel Limited has been retained as manager and management advisor of the Fund and receives certain management fees (see "Information Concerning the Fund – Management"). B.E.S.T. Investment Counsel Limited also provides sales and marketing services and accounting and administrative services to the Fund and receives annual fees for such services (see "Information Concerning the Fund – Management"). Mr. John Richardson is an officer and a director of B.E.S.T. Investment Counsel Limited and an officer of the Fund. Mr. Thomas Lunan is an officer of B.E.S.T. Investment Counsel Limited and of the Fund. B.E.S.T. Investment Counsel Limited is a wholly-owned subsidiary of 1209762 Ontario Inc. and Mr. Richardson controls 1209762 Ontario Inc. and is a director and officer of 1209762 Ontario Inc. All of the issued and outstanding voting preferred shares of 1209762 Ontario Inc. are owned by Mr. Richardson.

It is proposed that an application be made for conditional listing of the Units be listed on the CSE. The Fund has made an investment in the CSE.

Except as otherwise disclosed in this Circular, no director or officer of the Fund or any associate or Affiliate of any of the foregoing persons, has or had any material interest in any transaction in the last three years or any proposed transaction that materially affected, or will materially affect, the Fund.

### Other Business

Management of the Fund is not aware of any matters to come before the Meeting other than those referred to in the Notice of Meeting. If any other matters which are not known to management should properly come before the

Meeting, the persons named on the enclosed form of proxy are authorized to vote in accordance with their discretion on such matters.

## BOARD APPROVAL

The contents and the sending of this management proxy circular have been approved by the Board.

DATED at Toronto, Ontario, February 24, 2014.

(signed) John M.A. Richardson
Chief Executive Officer

## APPENDIX "A" – TRANSACTION RESOLUTION

**BE IT RESOLVED AS A SPECIAL RESOLUTION OF THE HOLDERS OF CLASS A SHARES, CLASS L SHARES, CLASS B SHARES AND CLASS P SHARES, EACH AS A CLASS, OF THE BUSINESS, ENGINEERING, SCIENCE & TECHNOLOGY DISCOVERIES FUND INC. (THE "FUND") THAT:**

1) The Fund be and is hereby authorized to execute, deliver and perform the proposed asset purchase agreement (the "**Asset Purchase Agreement**") with Tier One Capital Limited Partnership (the "**Limited Partnership**"), substantially in the form attached as Appendix "E" to the accompanying management proxy circular of the Fund dated February 24, 2014 (the "**Circular**"), all as more particularly described in the Circular, and all transactions contemplated thereby are hereby authorized and approved;

2) The transaction (the "**Transaction**") contemplated by the Asset Purchase Agreement and as more particularly described in the Circular be and is hereby authorized and approved, including:

   a) The sale of all or substantially all of the property of the Fund to the Limited Partnership;

   b) The following amendments to the rights, privileges, restrictions and conditions attached to the Class A Shares of the Fund to implement an automatic redemption procedure relating to the Transaction:

      i) The following to be added as Section 3.11 to Schedule "1" to the Articles of Arrangement of the Fund dated July 24, 2009:

"**3.11 <u>Transaction Redemption Procedure</u>**

(a) <u>Definitions</u>. In this section 3.11, the following words and phrases shall have the following meanings:

"Deemed Issue Price" means $14.00;

"Exchange Ratio" means the ratio as at the Transaction Effective Date of the aggregate of the applicable Net Asset Value per Class A Series Share calculated as of the last Valuation Date immediately preceding the Transaction Effective Date plus all dividends declared on the applicable Class A Share and remaining unpaid on such date, divided by the Deemed Issue Price;

"Limited Partnership" means Tier One Capital Limited Partnership;

"Transaction Effective Date" means the effective date of the closing of the asset purchase transaction between the Corporation and the Limited Partnership;

"Transaction Effective Time" means such time as may be determined by the Corporation on the Transaction Effective Date at which the closing of the asset purchase transaction between the Corporation and the Limited Partnership is effective; and

"Units" means units of the Limited Partnership.

(b) <u>Transaction Redemption Procedure</u>. Subject to subsection 3.11(c), despite any other provision of these Share Provisions, the Corporation shall, on the Transaction Effective Date, redeem all but not less than all of the then issued and outstanding Class A Shares for an amount per Class A Share equal to the applicable Net Asset Value per Class A Series Share, such payment to be satisfied in full by the Corporation transferring or causing to be transferred to each holder of Class A Shares that number of Units of the Limited Partnership that is equal to the number of Class A Shares held by such holder multiplied by the Exchange Ratio for the applicable Class A Series (rounded down to the nearest Unit such that no fractions of a Unit will be issued). Effective upon such payment being made, the Class A Shares shall have been duly and validly redeemed and shall thereupon be cancelled.

(c) Despite any other provision of these Share Provisions, the Net Asset Value of the Corporation, Net Asset Value of a Class A Series, Net Asset Value per Class A Series Share, Deemed Issue Price and/or the Exchange Ratio shall be subject to such appropriate and overriding adjustments as may be agreed upon by the Corporation and the Limited Partnership, after having received accounting and/or valuation expert advice, to implement the true intent of the Corporation and the Limited Partnership in connection with the sale of assets from the Corporation to the Limited Partnership in exchange for Units.

(d) At and after the Transaction Effective Time, share certificate(s) formerly representing Class A Shares shall represent only the right to receive the consideration therefor in accordance with this section 3.11."; and

ii) The following to be added as Section 6.10 to Schedule "1" to the Articles of Arrangement of the Fund dated July 24, 2009:

"**6.10 Transaction Redemption Procedure**

(a) Definitions. In this section 6.10, the following words and phrases shall have the following meanings:

"Deemed Issue Price" means $14.00;

"Exchange Ratio" means the ratio as at the Transaction Effective Date of the aggregate of the applicable Net Asset Value per Class L Series Share calculated as of the last Valuation Date immediately preceding the Transaction Effective Date plus all dividends declared on the applicable Class L Share and remaining unpaid on such date, divided by the Deemed Issue Price;

"Limited Partnership" means Tier One Capital Limited Partnership;

"Transaction Effective Date" means the effective date of the closing of the asset purchase transaction between the Corporation and the Limited Partnership;

"Transaction Effective Time" means such time as may be determined by the Corporation on the Transaction Effective Date at which the closing of the asset purchase transaction between the Corporation and the Limited Partnership is effective; and

"Units" means units of the Limited Partnership.

(b) Transaction Redemption Procedure. Subject to subsection 6.10(c), despite any other provision of these Share Provisions, the Corporation shall, on the Transaction Effective Date, redeem all but not less than all of the then issued and outstanding Class L Shares for an amount per Class L Share equal to the applicable Net Asset Value per Class L Series Share, such payment to be satisfied in full by the Corporation transferring or causing to be transferred to each holder of Class L Shares that number of Units of the Limited Partnership that is equal to the number of Class L Series 1 Shares held by such holder multiplied by the Exchange Ratio for the Class L Series 1 Shares (rounded down to the nearest Unit such that no fractions of a Unit will be issued). Effective upon such payment being made, the Class L Shares shall have been duly and validly redeemed and shall thereupon be cancelled.

(c) Despite any other provision of these Share Provisions, the Net Asset Value of the Corporation, Net Asset Value of a Class L Series, Net Asset Value per Class L Series Share, Deemed Issue Price and/or the Exchange Ratio shall be subject to such appropriate and overriding adjustments as may be agreed upon by the Corporation and the Limited Partnership, after having received accounting and/or valuation expert advice, to implement the true intent of the Corporation and the Limited Partnership in connection with the sale of assets from the Corporation to the Limited Partnership in exchange for Units.

(d) At and after the Transaction Effective Time, share certificate(s) formerly representing Class L Shares shall represent only the right to receive the consideration therefor in accordance with this section 6.10.";

c) Following the implementation of the Transaction Redemption Procedure described above, upon acceptance of purchases of Units of the Limited Partnership in exchange for Shares (as defined in the Circular), the former holder of Class A Shares and Class L Shares (other than those who have duly exercised their dissent rights as described in the Circular) will be a party to, and will be bound by, all the terms of the Limited Partnership Agreement (as defined in the Circular), as it may be amended from time to time in accordance with its terms, and will be deemed to make all the representations, warranties and covenants and grant the power or attorney as set out therein, and the general partner of the Limited Partnership be and is hereby authorized to sign the Limited Partnership Agreement as attorney on behalf of such former holders of Class A Shares and Class L Shares of the Fund;

3) Notwithstanding that this special resolution has been duly passed, the board of directors of the Fund is hereby authorized, in its discretion, if it deems such action necessary, without further notice to or approval of the holders of Shares, to revoke this special resolution or any part thereof at any time prior to the completion of the Transaction; and

4) Any director or officer of the Fund is hereby authorized, acting for, in the name of and on behalf of the Fund, to execute or cause to be executed, under the corporate seal of the Fund or otherwise, and to deliver or cause to be delivered, all such documents, agreements and instruments, and to do or to cause to be done all such other acts and things, as such director or officer determines to be necessary or desirable in order to carry out the intention of the foregoing paragraphs of this resolution and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing.

## APPENDIX "B" – SPECIAL RESOLUTION REGARDING STATED CAPITAL

**RESOLVED, AS A SPECIAL RESOLUTION OF THE HOLDERS OF CLASS A SHARES AND CLASS L SHARES AND THE HOLDER OF THE CLASS B SHARE OF THE BUSINESS, ENGINEERING, SCIENCE & TECHNOLOGY DISCOVERIES FUND INC. (THE "FUND") THAT:**

1. The addition on or before September 30, 2014 to the stated capital account maintained by the Fund in respect of each authorized and issued series of Class A shares and Class L shares, on a *pro rata* basis, of the amounts in the aggregate not exceeding an estimate of the amount which would allow the Fund to obtain, for the taxation year of the Fund ending on September 30, 2014, the maximum refund under subsection 131(2) of the *Income Tax Act* (Canada), is approved;

2. The amount of the addition, if any, to the stated capital account maintained by the Fund in respect of its Class A shares and Class L shares to be made by the Fund on or before September 30, 2014, shall be determined by the Chief Financial Officer of the Fund and approved by B.E.S.T. Investment Counsel Limited as the Manager of the Fund where desirable, determined in the sole discretion of management of the Fund, to permit the Fund to obtain the tax refund referred to in paragraph 1 of this resolution; and

3. Any director or officer of the Fund is hereby authorized, acting for, in the name of and on behalf of the Fund, to execute or cause to be executed, under the corporate seal of the Fund or otherwise, and to deliver or cause to be delivered, all such documents, agreements and instruments, and to do or to cause to be done all such other acts and things, as such director or officer determines to be necessary or desirable in order to carry out the intention of the foregoing paragraphs of this resolution and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing.

## APPENDIX "C" – DISSENT RIGHTS

### SECTION 190 OF THE *CANADA BUSINESS CORPORATIONS ACT*

**Right to dissent - s.190(1)**

(1) Subject to sections 191 and 241, a holder of shares of any class of a corporation may dissent if the corporation is subject to an order under paragraph 192(4)(*d*) that affects the holder or if the corporation resolves to:

(a) amend its articles under section 173 or 174 to add, change or remove any provisions restricting or constraining the issue, transfer or ownership of shares of that class;

(b) amend its articles under section 173 to add, change or remove any restriction on the business or businesses that the corporation may carry on;

(c) amalgamate otherwise than under section 184;

(d) be continued under section 188;

(e) sell, lease or exchange all or substantially all its property under subsection 189(3); or

(f) carry out a going-private transaction or a squeeze-out transaction.

**Further right – s.190(2)**

(2) A holder of shares of any class or series of shares entitled to vote under section 176 may dissent if the corporation resolves to amend its articles in a manner described in that section.

**If one class of shares**

(2.1) The right to dissent described in subsection (2) applies even if there is only one class of shares.

**Payment for shares – s.190(3)**

(3) In addition to any other right the shareholder may have, but subject to subsection (26), a shareholder who complies with this section is entitled, when the action approved by the resolution from which the shareholder dissents or an order made under subsection 192(4) becomes effective, to be paid by the corporation the fair value of the shares in respect of which the shareholder dissents, determined as of the close of business on the day before the resolution was adopted or the order was made.

**No partial dissent – s.190(4)**

(4) A dissenting shareholder may only claim under this section with respect to all the shares of a class held on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

**Objection – s.190(5)**

(5) A dissenting shareholder shall send to the corporation, at or before any meeting of shareholders at which a resolution referred to in subsection (1) or (2) is to be voted on, a written objection to the resolution, unless the corporation did not give notice to the shareholder of the purpose of the meeting and of their right to dissent.

**Notice of resolution – s.190(6)**

(6) The corporation shall, within ten days after the shareholders adopt the resolution, send to each shareholder who has filed the objection referred to in subsection (5) notice that the resolution has been adopted, but such notice is not required to be sent to any shareholder who voted for the resolution or who has withdrawn their objection.

**Demand for payment – s.190(7)**

(7) A dissenting shareholder shall, within twenty days after receiving a notice under subsection (6) or, if the shareholder does not receive such notice, within twenty days after learning that the resolution has been adopted, send to the corporation a written notice containing:

(a) the shareholder's name and address;

(b) the number and class of shares in respect of which the shareholder dissents; and

(c) a demand for payment of the fair value of such shares.

**Share certificate – s.190(8)**

(8) A dissenting shareholder shall, within thirty days after sending a notice under subsection (7), send the certificates representing the shares in respect of which the shareholder dissents to the corporation or its transfer agent.

**Forfeiture – s.190(9)**

(9) A dissenting shareholder who fails to comply with subsection (8) has no right to make a claim under this section.

**Endorsing certificate – s.190(10)**

(10) A corporation or its transfer agent shall endorse on any share certificate received under subsection (8) a notice that the holder is a dissenting shareholder under this section and shall forthwith return the share certificates to the dissenting shareholder.

**Suspension of rights – s.190(11)**

(11) On sending a notice under subsection (7), a dissenting shareholder ceases to have any rights as a shareholder other than to be paid the fair value of their shares as determined under this section except where:

(a) the shareholder withdraws that notice before the corporation makes an offer under subsection (12),

(b) the corporation fails to make an offer in accordance with subsection (12) and the shareholder withdraws the notice, or

(c) the directors revoke a resolution to amend the articles under subsection 173(2) or 174(5), terminate an amalgamation agreement under subsection 183(6) or an application for continuance under subsection 188(6), or abandon a sale, lease or exchange under subsection 189(9),

in which case the shareholder's rights are reinstated as of the date the notice was sent.

**Offer to pay – s.190(12)**

(12) A corporation shall, not later than seven days after the later of the day on which the action approved by the resolution is effective or the day the corporation received the notice referred to in subsection (7), send to each dissenting shareholder who has sent such notice:

(a) a written offer to pay for their shares in an amount considered by the directors of the corporation to be the fair value, accompanied by a statement showing how the fair value was determined; or

(b) if subsection (26) applies, a notification that it is unable lawfully to pay dissenting shareholders for their shares.

**Same terms – s.190(13)**

(13) Every offer made under subsection (12) for shares of the same class or series shall be on the same terms.

**Payment – s.190(14)**

(14) Subject to subsection (26), a corporation shall pay for the shares of a dissenting shareholder within ten days after an offer made under subsection (12) has been accepted, but any such offer lapses if the corporation does not receive an acceptance thereof within thirty days after the offer has been made.

**Corporation may apply to court – s.190(15)**

(15) Where a corporation fails to make an offer under subsection (12), or if a dissenting shareholder fails to accept an offer, the corporation may, within fifty days after the action approved by the resolution is effective or within such further period as a court may allow, apply to a court to fix a fair value for the shares of any dissenting shareholder.

**Shareholder application to court – s.190(16)**

(16) If a corporation fails to apply to a court under subsection (15), a dissenting shareholder may apply to a court for the same purpose within a further period of twenty days or within such further period as a court may allow.

**Venue – s.190(17)**

(17) An application under subsection (15) or (16) shall be made to a court having jurisdiction in the place where the corporation has its registered office or in the province where the dissenting shareholder resides if the corporation carries on business in that province.

**No security for costs – s.190(18)**

(18) A dissenting shareholder is not required to give security for costs in an application made under subsection (15) or (16).

**Parties – s.190(19)**

(19) On an application to a court under subsection (15) or (16),

(a) all dissenting shareholders whose shares have not been purchased by the corporation shall be joined as parties and are bound by the decision of the court; and

(b) the corporation shall notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to appear and be heard in person or by counsel.

**Powers of court – s.190(20)**

(20) On an application to a court under subsection (15) or (16), the court may determine whether any other person is a dissenting shareholder who should be joined as a party, and the court shall then fix a fair value for the shares of all dissenting shareholders.

**Appraisers – s.190(21)**

(21) A court may in its discretion appoint one or more appraisers to assist the court to fix a fair value for the shares of the dissenting shareholders.

**Final order – s.190(22)**

(22) The final order of a court shall be rendered against the corporation in favour of each dissenting shareholder and for the amount of the shares as fixed by the court.

**Interest – s.190(23)**

(23) A court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective until the date of payment.

**Notice that subsection (26) applies – s.190(24)**

(24) If subsection (26) applies, the corporation shall, within ten days after the pronouncement of an order under subsection (22), notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

**Effect where subsection (26) applies – s.190(25)**

(25) If subsection (26) applies, a dissenting shareholder, by written notice delivered to the corporation within thirty days after receiving a notice under subsection (24), may:

(a) withdraw their notice of dissent, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to their full rights as a shareholder; or

(b) retain a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

**Limitation – s.190(26)**

(26) A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that:

(a) the corporation is or would after the payment be unable to pay its liabilities as they become due; or

(b) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities.

**APPENDIX "D" – STATEMENT OF FINANCIAL POSITION OF LIMITED PARTNERSHIP**

February 24, 2014

## Independent Auditor's Report

**To the Partners of**
**Tier One Capital Limited Partnership**

We have audited the accompanying statement of financial position of the partnership as at February 21, 2014, and the related notes, which comprise a summary of significant accounting policies and other explanatory information (together the financial statement).

**Management's responsibility for the financial statement**
Management is responsible for the preparation and fair presentation of this financial statement in accordance with those requirements of International Financial Reporting Standards relevant to preparing such a financial statement, and for such internal control as management determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

**Auditor's responsibility**
Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*PricewaterhouseCoopers LLP*
*PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2*
*T: +1 416 863 1133, F: +1 416 365 8215, www.pwc.com/ca*

**Opinion**
In our opinion, the financial statement presents fairly, in all material respects, the financial position of the partnership as at February 21, 2014 in accordance with those requirements of International Financial Reporting Standards relevant to preparing such a financial statement.

PricewaterhouseCoopers LLP

**Chartered Professional Accountants, Licensed Public Accountants**

**Tier One Capital Limited Partnership**
**STATEMENT OF FINANCIAL POSITION**
**As at February 21, 2014**

| | $ |
|---|---|
| **ASSETS** | |
| Cash | 100 |
| Total Assets | 100 |
| | |
| **PARTNERS' EQUITY** | 100 |
| | 100 |
| | |
| **PARTNERS' EQUITY (note 4)** | |
| Limited Partner | 100 |
| | 100 |
| | |
| **Number of units outstanding (note 4)** | |
| Limited Partner - unit | 1 |

Approved by the General Partner

John Richardson
Tier One General Partner LP

*The accompanying notes are an integral part of this Statement of Financial Position*

## Tier One Capital Limited Partnership

## NOTES TO FINANCIAL STATEMENTS

February 21, 2014

### 1. STATUS AND OPERATIONS

T1 General Partner LP (the "General Partner") and the initial limited partner agreed to form Tier One Capital Limited Partnership (the "LP") under the terms of the Limited Partnership Act (Ontario) on February 21, 2014.

The LP's investment objectives will be to provide a return on investment for Limited Partners and provide regular cash distributions. The General Partner intends to make regular distributions, which would be assessed on a quarterly basis, to the Limited Partners, having regard to the income received or anticipated to be received from the portfolio companies held by the Limited Partnership as well as the fees, expenses and other obligations of the Limited Partnership. The LP will primarily invest in senior debt, preferred shares and debt obligations which are convertible into equities, of eligible businesses which have the greatest potential for long-term growth and may also invest in equity and other equity-related securities. The LP will be focused on funding rapidly growing Canadian companies by providing them with the capital needed to execute their growth strategies and acquisition plans. The LP will focus on companies with recurring revenue streams in the technology, healthcare and financial services industry. The LP will initially focus its investments on companies in the expansion phase of development in mid to late stages. In addition, the LP may acquire previously issued securities of portfolio companies from holders of such securities.

The General Partner, through its general partner, T1 General Partner Corp., is responsible for the management of the LP. The General Partner and the LP will enter into an advisory services agreement with B.E.S.T. Investment Counsel Limited under which B.E.S.T. Investment Counsel Limited will agree to provide certain investment advisory services and other management services in connection with the LP. The General Partner has the power to direct the activities of the LP.

The Registered office of the LP is located at 15 Toronto Street, Suite 400, Toronto, Ontario.

This statement of financial position was authorized for issue by the General Partner on February 24, 2014.

On February 21, 2014, Peter Hubenaar purchased the first limited partnership unit for $100 and became the initial limited partner of the LP.

### 2. BASIS OF ACCOUNTING

The Statement of Financial Position of the LP has been prepared in accordance with International Financial Reporting Standards (IFRS) relevant to preparing a statement of financial position. The statement of financial position has been prepared under the historical cost convention. These financial statements reflect the financial position of the LP. They do not include all of the assets, liabilities, revenue and expenses of the partners.

### 3. SIGNIFICANT ACCOUNTING POLICIES

FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are presented in Canadian dollars, which is the LP's functional and presentation currency.

FINANCIAL INSTRUMENTS

The LP recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments measured at amortized cost. Regular way purchases and sales of financial assets are recognized at their trade date.

The LP`s financial instruments consist of cash at February 21, 2014.

Cash consists of highly liquid temporary deposits with Canadian banks. It is classified as loans and receivables and is measured at amortized cost subsequent to initial recognition.

## 4. PARTNERS' EQUITY

The following is a description of the authorized and issued units of the LP:

AUTHORIZED

The interests of the Limited Partners in the LP are divided into and represented by Limited Partner Units (the "Units).

| ISSUED | **Number of Units 2013** |
|---|---|
| LP Units | |
| Balance forward from prior period | - |
| Issued during the period | 1 |
| Balance at end of period | 1 |

Units issued and outstanding are considered to be the capital of the LP. The LP does not have any specific capital requirements on the subscription of the units.

DISTRIBUTIONS

The General Partner plans to make regular cash distributions to the Limited Partners having regard to the income received or anticipated to be received from investments of the LP as well as fees, expenses and other obligations of the LP. Distributions will be allocated to the Limited Partners in proportion to the number of Units held by them.

## 5. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

The LP's overall risk management program seeks to maximize the returns derived for the level of risk to which the LP is exposed and seeks to minimize potential adverse effects on the LP financial performance.

CREDIT RISK

The LP is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. As at February 21, 2014, the credit risk is considered limited as the cash balance represents a deposit with CIBC Mellon Trust Company a R1 rated financial institution.

## 6. SUBSEQUENT EVENTS

A Notice and Management Proxy Circular dated February 24, 2014 has been prepared for a meeting of the shareholders of The Business, Engineering, Science & Technology Discoveries Fund Inc. (the "Fund") to be held on March 28, 2014. The purpose of the meeting, among other things, is for the shareholders of the Fund to consider and if deemed advisable, to pass a resolution authorizing and approving the sale of all or substantially all the assets of the Fund to the LP. If approved, the Fund will sell its assets to the LP in exchange for units of the LP. The Fund would then be wound-up and dissolved. Details of the operating arrangements of the LP will be contained in a limited partnership agreement which will be included with the Management Proxy Circular which will be mailed to shareholders of the Fund.

**APPENDIX "E" – FORM OF ASSET PURCHASE AGREEMENT**

**ASSET PURCHASE AGREEMENT**

**THIS AGREEMENT** is dated for reference as of this ● day of ●, 2014.

**B E T W E E N:**

**THE BUSINESS, ENGINEERING, SCIENCE & TECHNOLOGY DISCOVERIES FUND INC.**, a corporation incorporated under the laws of Canada

(hereinafter referred to as the "**Vendor**")

OF THE FIRST PART

- and -

**T1 GENERAL PARTNER CORP., AS GENERAL PARTNER OF T1 GENERAL PARTNER LP, AS GENERAL PARTNER OF TIER ONE CAPITAL LIMITED PARTNERSHIP**, a limited partnership formed under the laws of the Province of Ontario

(hereinafter referred to as the "**Purchaser**")

OF THE SECOND PART

- and -

**B.E.S.T. INVESTMENT COUNSEL LIMITED**, a corporation formed under the laws of the Province of Ontario

(hereinafter referred to as "**BIC**")

OF THE THIRD PART

**WHEREAS:**

1. The Vendor is a labour-sponsored investment fund registered under the *Community Small Business Investment Funds Act* (Ontario) (the "**Ontario Act**").

2. The Purchaser wishes to acquire substantially all of the Assets of the Vendor and the Vendor wishes to sell substantially all of the Assets to the Purchaser on the terms and subject to the conditions set out in this Agreement.

3. BIC is a party to this Agreement for the purposes of the covenants contained in Section 8.1.

**THIS AGREEMENT WITNESSETH** that in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby covenant and agree as follows:

## ARTICLE 1- DEFINITIONS AND INTERPRETATION

### 1.1 Definitions

In addition to the terms defined above, when used herein or in any amendment hereto, the following terms shall have the following meanings, respectively, unless the context otherwise requires:

(a) "**Agreement**" means this Agreement, including the recitals and any instruments supplementary or ancillary hereto including all Schedules, as amended or supplemented from time to time;

(b) "**Applicable Laws**" means, for the Vendor and the Purchaser, the corporate, securities and other laws applicable to the Vendor and the Purchaser and all regulations, rules and policies thereunder, including, for greater certainty, the Tax Act and the Ontario Act;

(c) "**Applicable Privacy Laws**" means, for the Vendor and the Purchaser, the *Personal Information and Electronic Documents Act* (Canada) as amended, and all similar laws in any province or territory applicable to the Vendor or the Purchaser;

(d) "**Applicable Regulatory Approvals**" means all regulatory approvals required to complete the sale of the Assets, including the approval of the Ontario Securities Commission with respect the transfer of the investment portfolio securities;

(e) "**Articles Amendment**" means the amendment to the articles of the Vendor to implement the Transaction Redemption Procedure;

(f) "**Assets**" means the Portfolio Companies, reserves and all other assets of the Vendor, which include any right or entitlement to refunds in respect of taxes or other payments from a Governmental Authority;

(g) "**Board**" means the board of directors of the Vendor and the board of directors of T1 General Partner Corp. with respect to the Purchaser;

(h) "**Business**" means, with respect to the Vendor, the labour-sponsored investment fund business conducted by the Vendor and, with respect to the Purchaser, the business of venture investments conducted by the Purchaser;

(i) "**Business Day**" means a day, other than a Saturday, Sunday or statutory holiday, when banks are generally open in the City of Toronto for the transaction of banking business;

(j) "**Canadian GAAP**" means Canadian generally accepted accounting principles;

(k) "**Closing**" means the completion of the Transaction;

(l) "**Deemed Issue Price of the Units**" means $14.00;

(m) "**Dissent Rights**" means the rights of dissent of shareholders of the Vendor in respect of the transactions contemplated in this Agreement, as such rights are provided for by the *Canada Business Corporations Act*;

(n) "**Dissenting Shareholders**" means those shareholders of the Vendor who validly exercise Dissent Rights with respect to the Transaction Resolution;

(o) "**Effective Date**" means the effective date of the Closing;

(p) "**Effective Time**" means the time of Closing;

(q) "**Encumbrance**" includes, without limitation, any mortgage, pledge, assignment, charge, lien, security interest, claim, trust or royalty interest and any agreement, option, right of first refusal, right or privilege (whether by law, contract or otherwise) capable of becoming any of the foregoing;

(r) "**Exchange Ratio**" in respect of a series of Class A Shares or Class L Shares of the Vendor, means the Series NAV per Share for that series calculated as of the last Valuation Date immediately preceding the Effective Date plus all dividends declared on the applicable series of shares and remaining unpaid on such date and divided by the Deemed Issue Price of the Units;

(s) "**Financial Statements**" means, for the Vendor, its most recently filed and published annual audited and interim financial statements;

(t) "**Governmental Authority"** means any domestic or foreign government, including without limitation, any federal, provincial, state, territorial or municipal government, and any government agency, tribunal, commission or other authority exercising or purporting to exercise executive, legislative, judicial, regulatory or administrative functions of or pertaining to government;

(u) "**IRC**" means, for the Vendor, the independent review committee mandated under National Instrument 81-107 – *Independent Review Committee for Investment Funds*;

(v) "**LSIF Legislation**" means, for the Vendor, the Tax Act and the Ontario Act;

(w) "**material change**" has the meaning given to it in the *Securities Act* (Ontario), as amended;

(x) "**misrepresentation**" has the meaning given to it in the *Securities Act* (Ontario), as amended;

(y) "**NAV**" means, for the Vendor, the net asset value of the Vendor as determined in accordance with its valuation principles;

(z) "**person**" includes any individual, partnership, firm, trust, body corporate, government, governmental body, agency or instrumentality, unincorporated body of persons or association;

(aa) "**Personal Information**" means in respect of a person, information protected under Applicable Privacy Laws;

(bb) "**Portfolio Company**" means all of the securities held by the Vendor and designated as a venture investment and, as of February 10, 2014, as set out in the Vendor Circular;

(cc) "**Portfolio Company Agreement**" means, for the Vendor, an agreement to which the Vendor is a party or otherwise bound relating to the holding of Portfolio Companies or in respect of Vendors Rights;

(dd) "**Public Documents**" means, for the Vendor, all documents or information which has been filed by or on behalf of the Vendor in compliance with or intended compliance with Applicable Laws;

(ee) "**Redeemed Shares**" means the Class A Shares and Class L Shares of the Vendor outstanding on the Effective Date, other than those held by Dissenting Shareholders;

(ff) "**Redeeming Shareholders**" means those Class A Shareholders and Class L Shareholders of the Vendor whose shares are redeemed pursuant to the Transaction Redemption Procedure;

(gg) "**reserves**" has the meaning attributed to it under the Ontario Act and the Tax Act, in the context of labour sponsored investment funds or labour-sponsored venture capital corporations;

(hh) "**Rights**" has the meaning given to it in Section 6.1;

(ii) "**Series NAV**" means with respect to a series of Class A Shares or Class L Shares of the Vendor, the NAV of the Vendor allocable to that series as at the applicable Valuation Date;

(jj) "**Series NAV per Share**" means with respect to a series of Class A Shares or Class L Shares of the Vendor, the Series NAV divided by the number of outstanding Class A Shares or Class L Shares, as applicable, of that Series;

(kk) "**Tax Act**" means the *Income Tax Act* (Canada), R.S.C. 1985, c.1 (5th Supp.), as amended, together with the regulations thereunder;

(ll) "**Transaction**" means the acquisition of substantially all of the Assets of the Vendor by the Purchaser and the sale by the Vendor of substantially all of the Assets to the Purchaser pursuant to the terms of this Agreement;

(mm) "**Transaction Costs**" means the costs of the Vendor and the Purchaser in connection with the Transaction;

(nn) "**Transaction Redemption Procedure**" means the transfer of the Units by the Vendor to its Class A Shareholders and Class L Shareholders in exchange for the redemption of issued and outstanding Class A Shares and Class L Shares of the Vendor, as such procedure is set out in its articles after giving effect to the Articles Amendment;

(oo) "**Transaction Resolution**" means the special resolution of shareholders of the Vendor approving the Transaction and the Articles Amendment and all related steps, transactions and other related matters;

(pp) "**Units**" means the units of the Purchaser to be issued to the Vendor at Closing;

(qq) **"Valuation Date"** means a date on which the net asset value of the Vendor is determined, which occurs at least weekly;

(rr) **"Valuation Expert"** means, for the Vendor, the valuation department of PricewaterhouseCoopers LLP, Toronto;

(ss) "**Valuation Principles**" means, for the Vendor, the valuation policies and procedures applied to determine the fair value of the Vendor's assets and liabilities, established in the Vendor's written policies and procedures maintained pursuant to Part 14 of National Instrument 81-106 – *Investment Fund Continuous Disclosure*;

(tt) "**Vendor Circular**" means the notice of the Vendor Shareholder Meeting, and accompanying management information circular including all schedules, appendices and

exhibits thereto, which were delivered to shareholders of the Vendor in connection with the Vendor Shareholder Meeting;

(uu) "**Vendor Rights**" means, for the Vendor, all rights of the Vendor to receive consideration from the sale or transfer of securities or other rights held by the Vendor as venture investments prior to the date of this Agreement, including income streams, amounts held in escrow and other similar rights under a Portfolio Company Agreement;

(vv) "**Vendor Shareholder Meeting**" means the special meeting of shareholders of the Vendor held on March 28, 2014, and called to approve, among other things, the Transaction Resolution; and

(ww) "**Year-End Valuation Report**" means, for the Vendor, the letter from the Valuation Expert, delivered pursuant to the Ontario Act, regarding the review of the fair value of the Portfolio Companies of the Vendor as at the end of the most recently completed financial year of the Vendor and providing that such fair value is in all material respects reasonable.

**1.2 Currency**

All dollar amounts referred to in this Agreement are in Canadian funds.

**1.3 Gender and Number**

Throughout this Agreement, the plural will be construed to include the singular, and vice versa, and any reference to gender will be construed to include all genders, as the context requires.

**1.4 Headings**

The division of this Agreement into Articles, Sections, subsections and paragraphs, and the insertion of headings are for convenience of reference only and shall not in any way affect the meaning or interpretation of this Agreement.

**1.5 References**

References in this Agreement to any statute or sections thereof shall include such statute as amended or substituted and any regulations promulgated thereunder from time to time in effect. Whenever used in this Agreement, the words "includes" and "including" and similar terms of inclusion shall not, unless expressly modified by the words "only" or "solely", be construed as terms of limitation, but rather shall mean "includes but is not limited to" and "including but not limited to", so that references to included matters shall be regarded a illustrative without being either characterizing or exhaustive.

**1.6 Knowledge Reference**

In this Agreement, whenever a representation or warranty is made on the basis of the knowledge or awareness of the Vendor or the Purchaser, such knowledge or awareness consists of the knowledge or awareness that the Vendor or Purchaser, as applicable, has, or would have obtained, after having made or caused to be made all reasonable inquiries necessary to obtain informed knowledge or awareness, including inquiries of the records, directors, officers and employees of the Vendor or the Purchaser, as applicable.

## ARTICLE 2 – THE TRANSACTION

### 2.1 Purchase and Sale Steps

Subject to the terms and conditions of this Agreement, the Vendor will file the Articles Amendment prior to the Effective Date, and the Vendor and the Purchaser agree that on the Effective Date it will effect the Transaction by implementing the following steps:

(i) The Vendor will confirm the number of outstanding Class A Shares and Class L Shares of the Vendor, on a series by series basis, as at the Effective Date.

(ii) The Vendor will confirm the Series NAV and the Series NAV per Share on a series by series basis as at the Effective Date, after accruing all applicable liabilities, including adjustment to account for proceeds to be paid under any Dissent Rights. The Purchaser will confirm the Deemed Issue Price per Unit as at the Effective Date.

(iii) The Exchange Ratio for each series of Class A Shares and Class L Shares of the Vendor will be confirmed, subject to an adjustment to account for any proceeds to be paid under any Dissent Rights.

(iv) If any shareholder of the Vendor has validly exercised its Dissent Rights, the Vendor will honour the Dissent Rights of Dissenting Shareholders by undertaking to pay fair value for such shares (up to the 10% limitation as set out in the Vendor's Circular).

(v) The Purchaser will purchase, and the Vendor will sell, the Assets (other than liquid assets equal to the amount payable in respect of Dissent Rights, if any, and any liquid assets required to pay or provide for all liabilities of the Purchaser).

(vi) The purchase price will be equal to the aggregate of the Series NAV for each series, subject to adjustment to account for any proceeds to be paid under any Dissent Rights. The purchase price will be satisfied by the issuance of that number of Units equal to the aggregate of all of the Class A Shares and Class L Shares of the Vendor outstanding on the Effective Date, other than those held by Dissenting Shareholders, multiplied by the applicable Exchange Ratio and after giving effect to Section 2.1(x).

(vii) Pursuant to the Transaction Redemption Procedure, all of the Redeemed Shares will be redeemed and cancelled without any further act on the part of the holders thereof. As payment of the redemption price for the Redeemed Shares, the Vendor will transfer to the holder thereof the Units, received in respect thereof, as determined by the applicable Exchange Ratio.

(viii) As soon as reasonably possible following the Effective Date, all necessary steps will be taken by the Vendor to pay all amounts payable in respect of Dissent Rights, if any.

(ix) As soon as reasonably possible following the Effective Date, after all necessary ancillary steps have been taken to complete the transfer of the Assets to the Purchaser pursuant to the Transaction, the Vendor will be wound-up and dissolved under and in accordance with the *Canada Business Corporations Act* and any other Applicable Laws.

(x) The number of Units to be transferred to each Class A Shareholder and Class L Shareholder of the Vendor under the Transaction Redemption Procedure will be rounded down to the nearest Unit and no fractional Units will be issued.

(xi) The Vendor will direct all amounts representing any right or entitlement to refunds in respect of taxes or other payments from a Government Authority to be paid to the Purchaser and will otherwise hold all receipts of such amounts in trust for the Purchaser.

**2.2 Closing**

(a) As soon as practicable on a Business Day on or following satisfaction or, where not prohibited, the waiver by the applicable party or parties, of the conditions (excluding the conditions that, by their terms, cannot be satisfied until the Effective Date, but subject to the satisfaction or, where not prohibited, the waiver by the applicable party or parties, of those conditions as of the Effective Date) set forth in Article 3, unless another time or date is agreed to in writing by the Vendor and the Purchaser, the Articles Amendment will be filed by the Vendor.

(b) The Closing will take place on the Effective Date at the offices of McMillan LLP, Brookfield Place, 181 Bay Street, Suite 4400, Toronto, Ontario, M5J 2T3, or at such other location as may be agreed upon by the parties to this Agreement.

## ARTICLE 3 – CLOSING CONDITONS

**3.1 Conditions to Closing**

The obligations of the Vendor and the Purchaser to complete the Transaction as contemplated herein are subject to the fulfilment of the following conditions precedent on or before the Effective Date or such other time as is specified below:

(a) the other party shall have complied in all material respects with its covenants in this Agreement;

(b) the representations and warranties made by the other party, will be true in all material respects as of the Effective Date as if made on and as of such date, except for representations and warranties which refer to another date, which shall be true as of that date;

(c) each of the Class A Shareholders, the Class L Shareholders, the Class B Shareholder and the Class P Shareholders of the Vendor, voting as separate classes, in person or by proxy, have approved the Transaction Resolution by not less than two-thirds of the votes cast;

(d) all necessary third party and other consents, orders, rulings, approvals, opinions and assurances, including regulatory, governmental, judicial, third party and advisor opinions, approvals and orders, required for the completion of the transactions provided for in the Transaction shall have been obtained or received;

(e) no material action shall have been instituted and be continuing on the Effective Date for an injunction to restrain, a declaratory judgment in respect of, or damages on account of, or relating to, the Transaction, there shall not be in force any order or decree restraining or enjoining the consummation of the transactions contemplated by the Transaction and no cease trading or similar order with respect to any securities of the Vendor or the Purchaser shall have been issued and remain outstanding;

(f) none of the consents, orders, rulings, decisions, approvals, opinions or assurances required for the implementation of the Transaction shall contain terms or conditions or require undertakings or security deemed unsatisfactory or unacceptable by the Vendor, acting reasonably;

(g) no law, regulation or policy shall have been proposed, enacted, promulgated or applied which interferes or is inconsistent with the completion of the Transaction, including any material change to the income tax laws of Canada, or any province or territory thereof, or which would have a material adverse effect upon Shareholders if the Transaction is completed;

(h) the conditional approval of the CSE of the listing of the new Units to be issued in connection with the Transaction shall have been obtained, subject only to the filing of required documents which cannot be filed prior to the Effective Date;

(i) Shareholders holding no more than 10% of the outstanding Shares of the Vendor have exercised their Dissent Rights that have not been withdrawn as of the Effective Date;

(j) the sponsor of the Vendor will have unconditionally agreed to hold the Class B Shares it owns in the capital of the Vendor at the direction of BIC for a period ending no later than the date upon which the Vendor shall be wound-up;

(k) the Purchaser and the Vendor shall have agreed on an amount, if any, to be deducted from the Series NAV as a reserve to be applied against costs associated with and liability arising from any contingent liabilities affecting the Vendor at the Effective Date; and

(l) as a condition to the obligations of the Purchaser only, subject to Section 6.1 and the following sentence, the Vendor shall have delivered to the Purchaser all necessary consents and approvals required under the terms of the shareholder and other agreements governing the Portfolio Companies and Vendor Rights of the Vendor to permit the transfer of those investments and all associated contractual rights to the Purchaser. While the Vendor will endeavour to obtain all such consents, the Purchaser acknowledges that this condition may be satisfied despite the fact that one or more consents are outstanding solely in respect of investments to which no value is attributed for the purposes of Series NAV.

Except with respect to the conditions in sections (a), (b), (j) and (k), which conditions are for the benefit of the Vendor and the Purchaser and may be waived, in whole or in part, in writing by a party that is entitled to claim noncompliance with an unsatisfied condition precedent, or as expressly stated otherwise, the foregoing conditions precedent are for the benefit of the Vendor and may be waived, in whole or in part, by the Vendor. If any of the said conditions precedent shall not be satisfied on or before the date required for the performance thereof, a party claiming non-compliance with the condition may, in addition to the other remedies it may have at law or equity, rescind and terminate this Agreement by written notice to the other party.

## ARTICLE 4 - REPRESENTATIONS AND WARRANTIES

### 4.1 Representations and Warranties of Vendor

The Vendor represents and warrants to the Purchaser that, except as contemplated in this Agreement:

(a) the Vendor is duly organized and validly existing under the laws of the jurisdiction of its incorporation, and has the corporate capacity, power and authority to own or lease its property and assets and carry on its Business as now conducted by it;

(b) the Vendor is duly qualified to carry on Business in each jurisdiction in which the nature of its Business or the property or assets owned or leased by it makes such qualification necessary;

(c) the Vendor has all requisite corporate power and authority to enter into this Agreement and to perform its obligations hereunder and this Agreement has been duly authorized, executed and delivered by it;

(d) the execution and delivery of this Agreement by the Vendor, the performance of the terms hereof and the consummation of the transactions contemplated herein do not and will not:

(A) result in the breach of or violate any term or provision of its articles, by-laws or other governing documents;

(B) result in the breach of or default under any agreement, contract, licence, permit or authorization that is material to its Business;

(C) give to any person any interest or right, including the right of purchase, termination, cancellation or acceleration under any such agreement, contract, instrument, license, permit or authority which is material to its Business;

(D) result in the creation of any Encumbrance upon any of its assets that form part of the Assets; or

(E) violate any provision of law or administrative regulation or any judicial or administrative order, award, judgment or decree applicable to its or its Business;

(e) the Vendor is able to meet its liabilities as they become due and neither the Vendor nor, to the knowledge of the Vendor, any creditor of the Vendor or any person, has instituted any proceeding or taken any corporate action or executed any agreement in connection with the commencement of any proceeding:

(A) seeking liquidation, dissolution, winding-up, reorganization, protection or relief of the Vendor or any material part of its property or debt, or making a proposal with respect to the Vendor under any law relating to bankruptcy, insolvency, reorganization or compromise of debts or other similar laws; or

(B) seeking appointment of a receiver, trustee, agent, custodian or other similar official for the Vendor or for any material part of its properties and assets other than in the ordinary course of business;

(f) the Vendor has complied with and is in compliance with all laws and regulations applicable to the operation of its Business, including all Applicable Laws, except where failure to do so would not have a material adverse effect on the Business or the Transaction;

(g) the IRC of the Vendor has considered the potential conflicts of interests relating to BIC in connection with the Transaction, and in doing so has concluded, after reasonable inquiry, that the Transaction achieves a fair and reasonable result for the Vendor;

(h) except as previously disclosed in the Vendor's Public Documents, there are no actions, suits, other legal, administrative or arbitration proceedings or government investigations commenced or, to the knowledge of the Vendor, contemplated, at law or in equity or before or by any court or other governmental authority and which involve or adversely affect the Vendor, or the Business of the Vendor, and could reasonably be considered material to the Vendor;

(i) the Vendor's authorized capital is accurately disclosed in its most recently filed annual information form, as amended, and the issued capital of the Vendor is as follows as of the date hereof:

(A) Series A Shares, Series I: ●

(B) Series A Shares, Series II: ●

(C) Series A Shares, Series III: ●

(D) Series A Shares, Series IV: ●

(E) Series L Shares, Series I: ●

(F) Class B Shares: 1

(G) Class P Shares: 2;

(j) all of the outstanding shares of the Vendor are fully paid and non-assessable; and, other than with respect to the conversion of Class A Shares into Class L Shares, no person has any agreement, option, right or privilege (including, without limitation, whether by law, pre emptive right, contract or otherwise) to purchase, subscribe for, convert into, exchange for or otherwise require the issuance of any of the unissued shares or other securities of the Vendor;

(k) the Vendor's Financial Statements have been prepared in accordance with Canadian GAAP applied on a basis consistent with that of prior periods (except as stated therein) and present fairly the financial position of the Vendor as of the dates provided therein and the results of its operations and the changes in financial position for the periods then ended and reflect all assets, liabilities and obligations (absolute, accrued, contingent or otherwise) of the Vendor as at the dates thereof;

(l) the information and statements set forth in the Vendor's Public Documents were true, correct and complete in all material respects and did not contain any misrepresentation, as of their respective dates, no material change has occurred in relation to the Vendor which is not disclosed in such Public Documents, and the Vendor has not filed any confidential material change reports which continue to be confidential;

(m) other than as described in the Vendor's Public Documents, since the Vendor's most recent fiscal year-end, the Vendor has:

(A) conducted its business in all material respects in the regular course and consistent with past practice;

(B) not suffered any material change in its Business; and

(C) not made any material change in its accounting principles and practices as theretofore applied including the basis upon which its assets and liabilities are recorded on its books, except as required under Canadian GAAP;

(n) except as have been disclosed in the Vendor's Public Documents, there are no contracts, bonus, severance or other arrangements to which the Vendor is a party with BIC or any director, officer, employee or consultant of the Vendor or BIC, or any associate or affiliate of any such director, officer, employee or consultant, nor is there any indebtedness

(absolute, accrued, contingent or otherwise) owing by the Vendor to any such parties or by any such parties to the Vendor;

(o) at all material times, the Vendor has been duly registered or prescribed under all LSIF Legislation pursuant to which purchasers of Class A Shares of the Vendor have been granted tax credits and, except as disclosed in the Vendor's Public Documents:

(A) the Vendor has not received any notice of default or other communication from any government agency, ministry, department, official or other instrumentality exercising or purporting to exercise legislative, regulatory or administrative functions of, or pertaining to, government, to the effect that the Vendor is or will be revoked or de-registered under, or is otherwise to its knowledge in default of, any LSIF legislation; and

(B) the Vendor is not subject to any ongoing or pending audits or investigations under LSIF legislation;

(p) for purposes of the Tax Act, at all material times, the Vendor is a "prescribed labour-sponsored venture capital corporation", the venture capital business of which has not and will not be discontinued at any time prior to Closing;

(q) the Vendor has duly filed all returns, reports, declarations, designations, elections and any other documents in respect of taxes, including taxed imposed under the Tax Act and the income tax legislation of any province of Canada in which it carries on business by the applicable filing deadline, for all periods ending prior to the Effective Time in respect of which such filings are required; and all taxes and interest payable with respect to periods ending on or prior to the Vendor's most recent tax year-end, including any penalty taxes payable under applicable LSIF Legislation, have been paid or accrued on the books of the Vendor calculated in accordance with Canadian GAAP;

(r) there are no outstanding agreements or waivers material to the Vendor providing for an extension of time, with respect to any assessment or reassessment of taxes or the filing of any federal, provincial or other income tax return or the payment of taxes for any period and there are no proposed or issued assessments or reassessments respecting the Vendor that are material to the Vendor or its Business to which there are or may be amounts owing;

(s) the Vendor is not a non-resident of Canada within the meaning of the Tax Act;

(t) other than management and other material agreements with BIC, full particulars of which are disclosed in the Vendors' Public Documents, the Vendor is not a party to any written contracts of employment or consulting agreements or collective bargaining agreements and there are no currently existing employment benefit plans, arrangements or agreements to which the Vendor is a party or by which it is bound;

(u) no default exists and no event has occurred which with notice or lapse of time or both would constitute a default in the due performance and observation of any term, covenant or condition of any material contract, indenture, evidence of indebtedness or other agreement, or instrument to which the Vendor is a party or by which it or any of its assets are bound;

(v) except for the Applicable Regulatory Approval contemplated in this Agreement and approvals that have been obtained and other than in the normal course in connection with or in compliance with the provisions of securities laws, no filing or registration with, or authorization, consent or approval of, any domestic or foreign public body or authority is necessary in connection with the making of this Agreement by the Vendor or the consummation of the Transaction by the Vendor as contemplated by this Agreement;

(w) set out in the Vendor Circular is a true and complete list of all Portfolio Companies held by the Vendor as at February 10, 2014;

(x) as at the date of this Agreement, the Vendor does not own any assets other than the Portfolio Companies, the Vendor Rights and the Reserves, receivables related thereto and has not acquired additional assets except in the ordinary course of conducting its Business;

(y) all management fees and other amounts which are accrued and unpaid by the Vendor to BIC have been properly reflected, in accordance with Canadian GAAP, in the Vendor's Financial Statements and/or in the books and records of the Vendor;

(z) the Vendor has provided all information and documentation requested in writing by or on behalf of the Purchaser and all such information and documentation provided was and remains, in each case to the Vendors' knowledge, accurate and complete unless expressly stated to be current as at a particular date in which case such information and documentation was, to the Vendors' knowledge, accurate and complete as of such date;

(aa) all information relating to the Vendor and the proposed Transaction in the Vendor Circular was true in all material respects and did not contain any misrepresentation;

(bb) at the Closing, except as permitted by Section 5.2(b) or 5.2(c), the Vendor will continue to be the beneficial owner of all of its Portfolio Companies, Vendor Rights and reserves as of the date of this Agreement, with good and marketable title thereto, free and clear of all Encumbrances;

(cc) the Vendor Shareholder Meeting was held in accordance with Applicable Law and the shareholders of the Vendor approved the Transaction Resolution thereat in accordance with Applicable Law; and

(dd) the Vendor acknowledges that the Units will be subject to the fee and cost structure set out in the Vendor Circular.

**4.2 Representations and Warranties of Purchaser**

The Purchaser hereby represents, warrants and covenants with the Vendor that:

(a) the Purchaser is a limited partnership formed and in good standing under the laws of the Province of Ontario, and has the capacity, power and authority to own or lease its property and assets and carry on its Business as now conducted by it;

(b) T1 General Partner LP is a limited partnership formed and in good standing under the laws of the Province of Ontario, and has the capacity, power and authority to own or lease its property and carry on its business as now conducted by it;

(c) T1 General Partner Corp. is a corporation incorporated and in good standing under the laws of the Province of Ontario and is duly authorized to carry on its business as now conducted by it;

(d) the Purchaser has all requisite power and authority to enter into this Agreement and to perform its obligations hereunder and this Agreement has been duly authorized, executed and delivered by it;

(e) the execution and delivery of this Agreement by the Purchaser, the performance of the terms hereof and the consummation of the transactions contemplated herein do not and will not:

(A) result in the breach of or violate any term or provision of its governing documents;

(B) result in the breach of or default under any agreement, contract, licence, permit or authorization that is material to its Business;

(C) give to any person any interest or right, including the right of purchase, termination, cancellation or acceleration under any such agreement, contract, instrument, license, permit or authority which is material to its Business; or

(D) violate any provision of law or administrative regulation or any judicial or administrative order, award, judgment or decree applicable to its or its Business;

(f) the Purchaser is able to meet its liabilities as they become due and neither the Purchaser nor, to the knowledge of the Purchaser, any creditor of the Purchaser or any person, has instituted any proceeding or taken any action or executed any agreement in connection with the commencement of any proceeding:

(A) seeking liquidation, dissolution, winding-up, reorganization, protection or relief of the Purchaser or any material part of its property or debt, or making a proposal with respect to the Purchaser under any law relating to bankruptcy, insolvency, reorganization or compromise of debts or other similar laws; or

(B) seeking appointment of a receiver, trustee, agent, custodian or other similar official for the Purchaser or for any material part of its properties and assets other than in the ordinary course of business;

(g) the Purchaser has complied with and is in compliance with all laws and regulations applicable to the operation of its Business, including all Applicable Laws, except where failure to do so would not have a material adverse effect on the Business or the Transaction;

(h) there are no actions, suits, other legal, administrative or arbitration proceedings or government investigations commenced or, to the knowledge of the Purchaser, contemplated, at law or in equity or before or by any court or other governmental authority and which involve or adversely affect the Purchaser, or the Business of the Purchaser, and could reasonably be considered material to the Purchaser;

(i) the Purchaser's authorized capital consists of an unlimited number of Units in an unlimited number of classes and the issued capital of the Purchaser as of the date hereof consists of 1 Unit; all of the outstanding Units of the Purchaser are fully paid and non-assessable, and, other than in the ordinary course of distributing its Units, no person has any agreement, option, right or privilege (including, without limitation, whether by law, pre emptive right, contract or otherwise) to purchase, subscribe for, convert into, exchange for or otherwise require the issuance of any of the unissued units or other securities of the Purchaser;

(j) the Purchaser has duly filed all returns, reports, declarations, designations, elections and any other documents in respect of taxes, including taxed imposed under the Tax Act and the income tax legislation of any province of Canada in which it carries on business, for all periods prior to the Effective Time in respect of which such filings are required;

(k) there are no outstanding agreements or waivers material to the Purchaser providing for an extension of time, with respect to any assessment or reassessment of taxes or the filing of any federal, provincial or other income tax return or the payment of taxes for any period and there are no proposed or issued assessments or reassessments respecting the Purchaser that are material to the Purchaser or its Business to which there are or may be amounts owing;

(l) the Purchaser is a "Canadian partnership" within the meaning of the Tax Act;

(m) other than with respect to BIC and arrangements with its general partner, the Purchaser is not a party to any written contracts of employment or consulting agreements or collective bargaining agreements and there are no currently existing employment benefit plans, arrangements or agreements to which the Purchaser is a party or by which it is bound;

(n) no default exists and no event has occurred which with notice or lapse of time or both would constitute a default in the due performance and observation of any term, covenant or condition of any material contract, indenture, evidence of indebtedness or other agreement, or instrument to which the Purchaser is a party of by which it or any of its assets are bound;

(o) except for the Applicable Regulatory Approval contemplated in this Agreement and approvals that have been obtained and other than in the normal course in connection with or in compliance with the provisions of securities laws or laws relating to limited partnerships, no filing or registration with, or authorization, consent or approval of, any domestic or foreign public body or authority is necessary in connection with the making of this Agreement by the Purchaser or the consummation of the Transaction by the Purchaser as contemplated by this Agreement; and

(p) the Purchaser has provided all information and documentation requested in writing by or on behalf of the Vendor and all such information and documentation provided was and remains, in each case to the Purchaser's knowledge, accurate and complete unless expressly stated to be current as at a particular date in which case such information and documentation was, to the Purchaser's knowledge, accurate and complete as of such date.

## ARTICLE 5 - COVENANTS

### 5.1 Covenants of the Vendor and Purchaser

Except with the prior written consent of the other party, the Vendor and the Purchaser each covenant and agree that, until Closing or the termination of this Agreement (whichever is the earlier):

(a) it will not, directly or indirectly, take any action, refrain from taking any action, permit any action to be taken or not taken, inconsistent with this Agreement, which might directly or indirectly interfere with or affect the transactions contemplated in this Agreement;

(b) it will promptly notify BIC of any material change to itself or its Business or any notices received under any LSIF Legislation;

(c) it will not take any action that would render, or that may reasonably be expected to render, any representation or warranty made by it in this Agreement untrue in any material respect at any time prior to the Effective Date; and

(d) it will use its commercially reasonable efforts to fulfill or cause the fulfilment of the conditions set forth in Article 4, to the extent the fulfilment of the conditions is within its

control and will cooperate with the other party to the extent the fulfilment of the conditions is not within its control.

**5.2 Covenants of the Vendor**

Except with the prior written consent of the Purchaser, the Vendor covenants and agrees:

(a) it will provide the Purchaser, forthwith following the date hereof, with copies of all instruments, certificates and shareholder or partnership agreements relating to its Portfolio Companies;

(b) it will make available to BIC and the other party on a timely basis all information material to the accurate assessment of the NAV of the Vendor, and none of such information will contain a misrepresentation;

(c) until Closing or the termination of this Agreement (whichever is the earlier), it will not, directly or indirectly, do or permit to occur any of the following (other than as otherwise expressly contemplated herein):

(i) pursue any amalgamation, merger, arrangement or purchase or sale of assets or make any material change to its Business other than purchases and sales of portfolio investments in the ordinary course;

(ii) issue, enter into any agreement to issue or grant any right to acquire (whether absolute or contingent) any securities of the Vendor other than the issuance of Class L Shares on conversion of Class A Shares in the ordinary course;

(iii) redeem, purchase or offer to purchase any securities of the Vendor other than issuances, redemptions and conversions of Class A Shares and Class L Shares of the Vendor in the ordinary course;

(iv) propose or effect any changes in its capital structure or its articles or by-laws;

(v) declare, set aside or pay any dividend or other distribution payable in cash, stock, property or otherwise in respect of its outstanding shares other than any dividends with respect to its Class P Shares and any deemed dividends with respect to any increase in stated capital as set out in the Vendor Circular; or

(vi) expend any amounts, incur any liabilities, create any Encumbrance on any of its assets, enter into any agreements, arrangements, provide any loans, pay, discharge or satisfy any material claims, liabilities or obligations or make any commitments outside of the ordinary course of business;

(d) until Closing or the termination of this Agreement (whichever is the earlier), it will, except as otherwise permitted in this Agreement, conduct its business only in the usual and ordinary course of business;

(e) unless this Agreement is terminated, it will deliver to the Purchaser no less than two days before the Effective Date a schedule detailing all debts, liabilities and other obligations of the Vendor (absolute, accrued, contingent or otherwise) that will be due and owing or coming due on or after the Effective Date and those debts, liabilities and other obligations that must be paid or satisfied as a condition to the wind-up of the Vendor;

(f) if Closing occurs, it will use its commercially reasonable best efforts to enable an orderly integration of the Assets into the Purchaser as at the Effective Date;

(g) it will provide the Purchaser with the books and records of the Vendor relating to its Portfolio Companies, and will, unless this Agreement is terminated, cooperate and take all reasonable steps necessary to facilitate the delivery, prior to Closing, of any consents needed for the transfer of any of its Portfolio Companies and, where such consents will not be delivered for Closing, will take all reasonable steps to provide the Purchaser with access to such Portfolio Companies; and

(h) unless this Agreement is terminated, it will carry out the Transaction as it applies to the Vendor.

**5.3 Covenants of the Purchaser**

Except with the prior written consent of the Vendor, the Purchaser covenants and agrees that unless this Agreement is terminated, it will carry out the Transaction as it applies to the Purchaser.

## ARTICLE 6 - NON-ASSIGNABLE ASSETS

**6.1 Non-Assignable Assets**

This Agreement or any document delivered hereunder shall not constitute an assignment of any Assets, including any rights, benefits or remedies (the "**Rights**") with respect to such Assets that are not assignable by the Vendor to the Purchaser without the consent of any other person. To the extent any such consent is required and not obtained prior to the Effective Time, then, unless otherwise agreed by the applicable parties to the extent permitted by Applicable Law:

(a) the Vendor will hold those non-assignable Assets and Rights in trust for the exclusive benefit of the Purchaser pending the effective transfer of such Assets and Rights;

(b) the Vender will use its commercially reasonable efforts to take such actions and do such things as may reasonably and lawfully designed to provide to the Purchaser the benefits of those non-assignable Assets and Rights upon notice to the Purchaser and with the consent of the Purchaser;

(c) the Vendor will, at the request and direction of the Purchaser, promptly assist the Purchaser in applying for and use all commercially reasonable efforts to obtain all consents or approvals contemplated in connection with the transfer and sale of such Assets, in a form satisfactory to the Vendor and the Purchaser;

(d) the Vendor will only deal with or make use of such non-assignable Assets and Rights in accordance with the directions of the Purchaser;

(e) the Vendor will promptly pay over to the Purchaser all such monies collected by the Vendor in respect of such non-assignable Assets and Rights; and

(f) the Purchaser shall perform and discharge on behalf of the Vendor all of the Vendor's applicable debts, liabilities, obligations or commitments, if any, in respect of those non-assignable Assets and Rights in accordance with the terms thereof

provided that the Purchaser will indemnify the Vendor against all liabilities, costs and expenses incurred by the Vendor, or arising out of the Vendors' performance of such obligations and the Purchaser's performance, or non-performance, of the Vendors' obligations as set forth in this Section 6.1.

## ARTICLE 7- TERMINATION

### 7.1 Termination Date

(a) This Agreement may be terminated by either the Vendor or the Purchaser on written notice to the other party any time after December 31, 2014 or such other time as the Vendor and the Purchaser agree upon in writing, if Closing has not occurred by then or upon any other circumstances hereunder that give rise to a termination of this Agreement, including those set forth in Article 4.

(b) Unless otherwise provided herein, the exercise by any party of any right of termination hereunder shall be without prejudice to any other remedy available to such party.

(c) If this Agreement is validly terminated pursuant to any provision of this Agreement, except for the rights and obligations set forth in Article 8 and Article 9 (which shall survive any termination of this Agreement and continue in full force and effect), no party shall have any further obligations to any other party hereunder with respect to this Agreement.

## ARTICLE 8 - COSTS

### 8.1 Costs

BIC hereby agrees to pay all Transaction Costs of the Vendor and the Purchaser. Each of the Vendor and the Purchaser agrees with BIC to use its commercially reasonable efforts to minimize the Transaction Costs.

## ARTICLE 9 - GENERAL PROVISIONS

### 9.1 Time of the Essence

Time shall be of the essence of this Agreement.

### 9.2 Applicable Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein. Each of the parties hereto herby irrevocably consents to and submits to the jurisdiction of the courts of the Province of Ontario in respect of all actions, suits or proceedings arising out of or relating to this Agreement or the matters contemplated hereby.

### 9.3 Entire Agreement

This Agreement and the provisions hereof shall constitute the entire agreement between the parties hereto and supersedes all other prior agreements and undertakings, both written and oral among the parties with respect to the subject matter hereof.

### 9.4 Amendment

No variation or amendment hereof shall have any effect unless made in writing and signed by the parties. No waiver by any party hereto shall be effective unless in writing and any waiver shall affect only the matter, and the occurrence thereof, specifically identified and shall not extend to any other matter or occurrence.

**9.5 Enurement**

Subject to the terms of this Agreement, the provisions of this Agreement shall enure to the benefit of and shall be binding upon the parties hereto and their respective successors and assigns. This Agreement may not be assigned by any party hereto without the prior consent of the other parties hereto.

**9.6 Notice**

Unless otherwise specified, each notice to a party must be given in writing and delivered personally or by courier, sent by prepaid registered mail or transmitted by fax to the party as follows:

If to the Vendor:

| | |
|---|---|
| Name: | The B.E.S.T. Discoveries Fund Inc. |
| Address: | 15 Toronto Street, Suite 400, Toronto, Ontario M5C 2E3 |
| Attention: | Chief Executive Officer |
| Fax No: | (416) 203-6630 |

If to the Purchaser:

| | |
|---|---|
| Name: | Tier One Capital Limited Partnership |
| Address: | 15 Toronto Street, Suite 400, Toronto, Ontario M5C 2E3 |
| Attention: | Chief Executive Officer, T1 General Partner Corp. |
| Fax No: | (416) 203-6630 |

or to any other address, fax number or person that the party designates. Any notice:

(1) delivered personally or by courier on a Business Day will be deemed to have been given on that Business Day;

(2) transmitted by fax on a Business Day and (i) for which the sending party has received confirmation of transmission before 4 p.m. on that Business Day, will be deemed to have been given on that Business Day, or (ii) for which the sending party has received confirmation of transmission after 4 p.m. on that Business Day, will be deemed to have been given on the next Business Day;

(3) delivered personally or by courier, or transmitted by fax, on a day that is not a Business Day, will be deemed to have been given on the next Business Day; and

(4) sent by prepaid registered mail will be deemed to have been given on the fifth Business Day after the date of mailing. If a notice has been sent by prepaid registered mail and before the fifth Business Day after the mailing there is a discontinuance or interruption of regular postal service so that the notice cannot reasonably be expected to be delivered within five Business Days after the mailing, the notice will be deemed to have been given when it is actually received.

**9.7 Severability**

If any provision of this Agreement is or becomes illegal, invalid or unenforceable in any jurisdiction, the illegality, invalidity or unenforceability of the provision will affect neither the legality, validity or enforceability of the remaining provisions of this Agreement; nor the legality, validity or enforceability of that provision in any other jurisdiction.

**9.8 Further Assurances**

Each party hereto shall, from time to time, and at all times hereafter, at the request of the other party hereto, but without further consideration, do all such further acts and execute and deliver all such further documents and instruments as shall be reasonably required in order to fully perform and carry out the terms and intent hereof.

**9.9 Execution in Counterparts and by Facsimile**

This Agreement may be executed in several counterparts, whether originally or by facsimile, each of which so executed is deemed to be an original, such counterparts together will constitute one and the same instrument.

**IN WITNESS WHEREOF** the parties have duly executed this Agreement as of the date first above written.

**THE BUSINESS, ENGINEERING, SCIENCE & TECHNOLOGY DISCOVERIES FUND INC.**

By: _____

Name:
Title:

**T1 GENERAL PARTNER CORP., AS GENERAL PARTNER AND ON BEHALF OF T1 GENERAL PARTNER LP, AS GENERAL PARTNER AND ON BEHALF OF TIER ONE CAPITAL LIMITED PARTNERSHIP**

By: _____

Name:
Title:

**B.E.S.T. INVESTMENT COUNSEL LIMITED**

_____

Name:
Title:

**APPENDIX "F" – FORM OF AUDIT COMMITTEE CHARTER**

**Tier One Capital Limited Partnership**

**Audit Committee Charter**

## 1. Introduction

This Audit Committee Charter (the "Charter") has been adopted to govern the activities, mandate, responsibilities and authority of the Audit Committee (the "Audit Committee") of the Board of Directors (the "Board") of T1 General Partner Corp., in its capacity as general partner of T1 General Partner LP, in its capacity as general partner of Tier One Capital Limited Partnership (the "Limited Partnership").

## 2. Responsibility and Authority

The Audit Committee for the Limited Partnership shall carry out its responsibilities in compliance with legal and regulatory requirements with respect to the employment, compensation and oversight of the Limited Partnership's external auditors. The Audit Committee is responsible for assisting the Board in carrying out its responsibilities relating to the Limited Partnership's financial accounting and reporting processes. Although the Audit Committee has been given certain powers and responsibilities under this Charter and is responsible for performing the duties set forth in this Charter, the principal role of the Audit Committee is oversight. The members of the Audit Committee are not full-time employees of the Limited Partnership and may or may not be accountants or auditors by profession and, in any event, do not serve in such capacity. Consequently, it is not the duty of the Audit Committee to perform audits to determine that the Limited Partnership's financial statements and disclosures are complete and accurate or are prepared in accordance with International Financial Reporting Standards and applicable rules and regulations. These are the responsibilities of management and the external auditors. Nothing in this Charter is intended to restrict the ability of the Board or the Audit Committee to alter or vary procedures in order to comply more fully with National Instrument 52-110 – *Audit Committees*, as amended from time to time. In furtherance of these purposes, the Audit Committee shall have the following responsibilities and authority:

a. Relationship with External Auditors

- The Audit Committee shall recommend to the Board the appointment or replacement of the external auditors;
- The Audit Committee shall be responsible for determining the compensation of the external auditors and for overseeing the work of the external auditors for the purpose of preparing and issuing an audit report;
- The external auditors shall report directly to the Audit Committee;
- The Audit Committee shall approve in advance all audits and permitted non-audit services with the external auditors. This includes the terms of engagement and all fees payable;
- The Audit Committee shall, on an annual basis, evaluate the qualifications, performance and independence of the external auditors (including the external auditors' internal quality control procedures) and notify the Board and external auditors in writing of any concerns in regards to the performance of the external auditors, or the accounting or auditing methods, procedures, standard, or principles applied by the external auditors, or any other accounting or auditing issues which come to the attention of the Audit Committee;

b. Financial Statement and Disclosure Review

- The Audit Committee shall review and discuss with management and the external auditors the annual consolidated financial statements, the annual report, including the management discussion and analysis and any and all earnings press releases before making recommendations to the Board relating to the approval of these statements and before such information is publicly disclosed;

- The Audit Committee shall review with management and if deemed necessary, with the external auditors, interim financial statements, the quarterly report, including the management discussion and analysis and any and all earnings press releases before making recommendations to the Board relating to the approval of these statements and before such information is publicly disclosed;

- The Audit Committee shall review and discuss with management and the external auditors any significant financial reporting issues and judgements made in connection with the preparation of the Limited Partnership's financial statements. The external auditors' assessment of the quality of the Limited Partnership's accounting principles, any significant changes in the Limited Partnership's election or application of accounting principles and any major issues relating to the adequacy of the Limited Partnership's internal controls;

c. Conduct of the Annual Audit

- The Audit Committee shall meet with the external auditors prior to the audit to discuss the planning and conduct of the annual audit, and shall meet with the external auditors as is required or appropriate in connection with the audit;

d. Compliance and Oversight

- The Audit Committee shall discuss with management and the external auditors the effect of regulatory and accounting initiatives;

- The Audit Committee shall discuss with management the Limited Partnership's major financial risk exposures and steps management has taken to monitor and control such exposures; and

- The Audit Committee shall discuss with management and the external auditors any correspondence with regulators or governmental agencies and any employee complaints which raise material issues regarding the Limited Partnership's accounting policies or financial statements.

**3. Structure and Membership**

a. Number of Qualification

The Audit Committee shall consist of three persons, unless the Board should, from time to time, determine otherwise. All members of the Audit Committee shall meet the independence, experience and financial literacy requirements of National Instrument 52-110, subject to the exemptions contained in National Instrument 52-110 for venture issuers.

b. Selection and Removal

Members of the Audit Committee shall be appointed by the Board. The Board may remove members of the Audit Committee with or without cause.

c. Chair

Unless the Board elects a Chair of the Audit Committee, the Audit Committee shall elect a Chair by majority vote.

d. Compensation

The compensation of the Audit Committee shall be determined by the Board.

e. Term

Members of the Audit Committee shall be appointed for a term of one year and are permitted to serve an unlimited number of consecutive terms. Each member shall serve until his or her replacement is appointed, or until he or she resigns or is removed from the Board.

**4. Procedures and Administration**

a. Meetings

The Audit Committee shall meet at least four times annually to permit timely review of the quarterly and annual financial statements and reports of the Limited Partnership. Additional meetings may be held as deemed necessary by the Chair of the Audit Committee or as requested by any member of the Committee or the external auditors. Meetings will be free of time constraints. A majority shall constitute a quorum for the purpose of any meeting and decision making by the Audit Committee. At any meeting of the Audit Committee, if the Chair is not designated or present, the members of the Audit Committee who are present and constitute a quorum may designate a temporary Chair for the purpose of that meeting, which designation will be affected by majority vote of the members of the Audit Committee who are present.

The Audit Committee will meet privately with the independent auditors "in camera" at least annually and with management to discuss any matters that the Audit Committee or management believes should be discussed.

b. Reports to the Board

The Audit Committee shall report to the Board following meetings of the Audit Committee with respect to such matters as are relevant to the Audit Committee's discharge of its responsibilities.

c. Charter

The Audit Committee shall, on an annual basis, review and assess the adequacy of this Charter and recommend any proposed changes to the Board for approval.

d. Independent Advisors

The Audit Committee shall have the authority to engage, at the expense of the Limited Partnership, independent legal, accounting and any other advisors it deems necessary or appropriate to carry out its responsibilities.

e. Annual Self-Evaluation

The Audit Committee shall evaluate its own performance on an annual basis.

**5. Additional Powers**

The Audit Committee shall have other such duties as may be delegated from time to time by the Board.

The Audit Committee shall have unfettered authority to conduct any investigation appropriate to fulfilling its responsibilities, and it has direct access to the independent auditors, anyone in the organization and the complete books and records of the Limited Partnership.

## TIER ONE CAPITAL LIMITED PARTNERSHIP

# LIMITED PARTNERSHIP AGREEMENT

Made as of February 21, 2014

mcmillan

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# LIMITED PARTNERSHIP AGREEMENT

This Agreement is made as of February 21, 2014 between:

**T1 General Partner LP**,
a limited partnership formed under the laws of the Province of Ontario
(the "**General Partner**")

and

Peter Hubenaar
(the "**Initial Limited Partner**")

and

Each party who, from time to time, becomes a limited partner in accordance with the terms of this Agreement
(a "**Limited Partner**" and, collectively, the "**Limited Partners**")

**WHEREAS** the General Partner and the Initial Limited Partner are entering into this Agreement to govern the business and affairs of "Tier One Capital Limited Partnership" (the "**Limited Partnership**").

**AND WHEREAS** the Limited Partnership intends to (i) enter into an asset purchase agreement between the Limited Partnership, The Business, Engineering, Science & Technology Discoveries Fund Inc. ("**BEST Discoveries**") and B.E.S.T. Investment Counsel Limited (the "**Investment Advisor**") pursuant to which BEST Discoveries will sell substantially all of its assets to the Limited Partnership in exchange for Units, which Units will be distributed to Class A Shareholders and Class L Shareholders of BEST Discoveries (the "**Shareholders**"), and (ii) admit the Shareholders as Limited Partners (the "**Share Exchange Transaction**").

Capitalized terms used in this Agreement are defined in Schedule A.

## ARTICLE 1 – FORMATION AND MANAGEMENT OF THE LIMITED PARTNERSHIP

### Section 1.1 Formation of Fund

The General Partner and the Initial Limited Partner hereby acknowledge and confirm the formation of the Limited Partnership as a limited partnership under the Limited Partnerships Act (Ontario) under the name of "Tier One Capital Limited Partnership" or such other name or names as the General Partner may determine from time to time.

### Section 1.2 Principal Place of Business

The principal place of business of the Limited Partnership will be the principal business address of the General Partner in Toronto, Ontario which as at the date hereof is 15 Toronto Street, Suite 400, Toronto, Ontario. Notice of any change of the principal business address of the General Partner will be given to all Partners.

### Section 1.3 Investment Objectives

The Limited Partnership's investment objectives will be to provide a return on investment for Limited Partners and provide regular cash distributions. The General Partner intends to make regular distributions, which would be assessed on a quarterly basis, to the Limited Partners, having regard to the income received or anticipated

to be received from the Portfolio Companies held by the Limited Partnership as well as the fees, expenses and other obligations of the Limited Partnership.

**Section 1.4 Investment Strategy**

The Limited Partnership will primarily invest in senior debt, preferred shares and debt obligations which are convertible into equities, of eligible businesses which have the greatest potential for long term growth and may also invest in equity and other equity-related securities. The Limited Partnership will be focused on funding rapidly growing Canadian companies by providing them with the capital needed to execute their growth strategies and acquisition plans. Its primary focus will be on companies with recurring revenue streams in the technology, healthcare and financial services industry. The Limited Partnership will initially focus its investments on companies in the expansion phase of development in mid-to-late stages ("**Portfolio Companies**"). In addition, the Limited Partnership may acquire previously issued securities of Portfolio Companies from the holders of such securities. The Limited Partnership will not be subject to any investment restrictions regarding any particular sector, industry or stage of development. The investment size is expected to range between $1 to $5 million per investment, and the investment portfolio of the Limited Partnership is intended to be diversified (the "**Portfolio**").

The Limited Partnership will generally, where it is deemed by the General Partner to be appropriate, seek to protect invested capital by obtaining a security interest, financial covenants and/or a shareholder agreement. In making its investments, the General Partner works with each Portfolio Company, and the Portfolio Company's founders and other securityholders, to determine an appropriate structure with respect to capitalization, board structure, incentive stock option arrangements, management compensation and other matters. Such matters are generally dealt with in shareholder agreements and other agreements entered into at the time of an investment. The Limited Partnership will be actively involved with its investee companies, by having a representative sit on the board of directors of investee companies or through other mechanisms, including restrictive and other covenants in the negotiated debt instruments held by the Limited Partnership. The Limited Partnership, through the General Partner and the Investment Advisor, will provide advice to investee companies on various business decisions, such as financing and acquisition opportunities and market developments.

**Section 1.5 Investment Restrictions**

The Limited Partnership will not:

(a) acquire any interest in a non-resident trust that is not an "exempt foreign trust" as defined in the Tax Act or invest in the securities of any non-resident corporation, or trust or other non-resident entity if the Limited Partnership would be required to include any material amounts in the computation of income pursuant to section 94.1 of the Tax Act;

(b) invest in securities of an issuer that would be a "foreign affiliate" of the Limited Partnership within the meaning of the Tax Act or would be deemed to be a "controlled foreign affiliate" of the Limited Partnership pursuant to section 94.2 of the Tax Act;

(c) acquire or hold any "security" (except for "securities" acquired by the Limited Partnership from BEST Discoveries pursuant to the Share Exchange Transaction), that is a "non-portfolio property" within the meaning of subsection 122.1(1) of the Tax Act; and

(d) invest in any security that is a "tax shelter investment" within the meaning of the Tax Act.

**Section 1.6 Business of the Limited Partnership**

(1) The Limited Partnership may carry on any business, and exercise all powers, that are ancillary or incidental to, or in furtherance of, the business described in Section 1.3 and has all the powers available to it under the laws of the Province of Ontario to engage in such business

(2) The Partnership's only business shall be the business described in Section 1.3, and the Partnership shall not carry on any other business without the prior approval of the Limited Partners granted by an Extraordinary Resolution. For greater certainty the Limited Partnership may hold cash and liquid investments.

(3) The Limited Partnership will carry on business in such manner as to ensure, to the greatest extent possible, the limited liability of the Limited Partners.

**Section 1.7 Fiscal Year**

The fiscal year of the Limited Partnership (the "**Fiscal Year**") will end on the 31st day of December of each calendar year.

**Section 1.8 Management of Fund**

The General Partner, through its general partner, T1 General Partner Corp., is responsible for the management of the Limited Partnership.

**Section 1.9 Custody of Portfolio Assets**

It is intended that the Portfolio assets of the Limited Partnership will be held in the custody of a Canadian chartered bank, or federally or provincially registered trust company.

## ARTICLE 2 – CAPITAL OF THE LIMITED PARTNERSHIP

**Section 2.1 Units**

The interest in the Limited Partnership of the Limited Partners will be divided into and represented by an unlimited number of Units. The definition of "**Units**" includes the Units acquired by Shareholders of BEST Discoveries in connection with the Share Exchange Transaction (the "**Exchange Units**"). Each person recorded on the Record as a Limited Partner shall be deemed to be the holder of record of the number of Units set opposite his or her name thereon. No fractional Units shall be issued or permitted to be issued, transferred or assigned.

**Section 2.2 Initial Limited Partner**

(a) The Initial Limited Partner has subscribed for one Unit in consideration for the contribution of the sum of $100.00 to the capital of the Limited Partnership (the **"Initial Unit"**).

(b) Upon completion of the Share Exchange Transaction on the Effective Date, the Initial Limited Partner shall sell, and the Limited Partnership shall purchase for cancellation, the Initial Unit issued to the Initial Limited Partner and all right, title and interest of the Initial Limited Partner therein and thereto, in consideration for the payment by the Limited Partnership to the Initial Limited Partner of the capital contribution made by the Initial Limited Partner in respect thereof. Upon such sale, the Initial Limited Partner will be deemed to have withdrawn as a limited partner of the Limited Partnership.

(c) The General Partner is not required to subscribe for any Units or otherwise contribute further capital to the Limited Partnership.

**Section 2.3 Offering of Units**

(1) Subject to the requirements of any applicable stock exchange, the Limited Partnership may issue Units in connection with the Share Exchange Transaction or at any time, from time to time, following the Share Exchange Transaction.

(2) The General Partner will determine the terms and conditions of any issue of Units, and determine the issue prices, including for property, provided that such terms and conditions do not materially adversely affect the interests of those who are Limited Partners at the time of sale of the Units. The General Partner may do all lawful things in connection with selling Units, including preparing and filing such documents as may be necessary or advisable, communicating with prospective purchasers of Units and assisting in structuring their proposed purchases of Units, paying the expenses of sale, seeking and obtaining exemptions from having to file a prospectus in

connection with such sale, amending this Agreement in accordance with Article 16, and entering into agreements with any underwriters, agents and other persons providing for a commission or fee in respect of such sale. All things done by the General Partner in that regard are hereby ratified and confirmed, provided that the General Partner has complied with Section 6.3 of this Agreement and all applicable securities laws.

(3) The Limited Partnership will be permitted to issue various classes of Units, the rights, privileges, restrictions and conditions of each to be determined by the General Partner. Each Unit of a class entitles the holder thereof to the same rights and obligations as the holder of any other Unit of that class and no Limited Partner of a class is entitled to any preference, priority or right in any circumstance over any other such Limited Partner, holding units of that class.

(4) Following the Share Exchange Transaction, the General Partner may elect not to accept additional subscriptions for Units, either for a particular period of time or permanently, if the General Partner determines, in its sole discretion, that there are insufficient investment opportunities available to the Limited Partnership in which to deploy the Limited Partnership's resources.

(5) Purchases will be received subject to acceptance or rejection in whole or in part by the General Partner on behalf of the Limited Partnership.

**Section 2.4 Admission as Additional or Substituted Limited Partner**

When a Subscriber's subscription has been accepted pursuant to Section 2.5 and subject to Section 2.8 and the Subscription Price has been paid in full, or where a successor of a Limited Partner is entitled to become a Limited Partner pursuant to the provisions hereof:

(a) all Partners will be deemed to consent to the admission of the Subscriber or the successor to the Limited Partnership as a Limited Partner, without any further act of the Partners;

(b) the General Partner shall, or shall cause the Transfer Agent to, enter such Subscriber or successor on its Record of Limited Partners as a Limited Partner and as the holder of record of the applicable number of Units; and

(c) the General Partner shall execute this Agreement on behalf of such Subscriber or successor.

Upon the completion of the foregoing matters, such Subscriber or successor, as the case may be, shall become a Limited Partner and the General Partner shall, or shall cause the Transfer Agent to, make such filings and recordings, if any, as are required by law. A person who subscribes for or purchases Units does not become a Limited Partner and is not entitled to any of the rights of a Limited Partner or to share in any allocation or to share in distributions until the name of that person is entered on the Record.

**Section 2.5 Subscription for Units**

(1) A Subscriber may subscribe for Units by delivering to the General Partner, the subscription price for such Units (the **"Subscription Price"**), payable in the manner described in a subscription agreement, completed in a manner acceptable to the General Partner, and such other instruments as the General Partner may require.

(2) The General Partner shall be deemed to have accepted a Subscription when the General Partner has accepted the Subscription Agreement, or such other instrument as the General Partner approves.

(3) As provided in the Circular, the exchange of the Class A Shares and Class L Shares of BEST Discoveries for Units constitutes a Subscription Agreement ("**BEST Discoveries Subscription**") between each of the Shareholders (a "**BEST Discoveries Subscriber**") and the Limited Partnership upon the terms and conditions set out in the Circular and this Agreement. Such Subscription Agreement will be evidenced by delivery of a confirmation of purchase of Units, provided that the purchase has been accepted by the General Partner on behalf of the Limited Partnership.

**Section 2.6 Receipt**

The receipt for any money, securities and other property from the Limited Partnership by a person in whose name any Unit is recorded on the Record, or if such Unit is registered in the names of more than one person, the receipt therefor by any one of such persons or of the duly authorized agents of any such person in that regard shall be a sufficient discharge for all money, securities and other property paid by the Limited Partnership.

**Section 2.7 Subscription**

(1) Upon subscription for Units, each Subscriber, among other things:

(a) consents to the disclosure of certain information to, and the collection and use by, the General Partner and its service providers, including such Subscriber's full name, residential address or address for service, social insurance number or the corporation account number, as the case may be, for the purpose of administering such Subscriber's subscription for Units;

(b) acknowledges that the Subscriber is bound by the terms of this Agreement and is liable for all obligations of a Limited Partner;

(c) makes or is deemed to make the representations and warranties set out in this Agreement, including without limitation, representations and warranties that he, she or it:

(i) is not a "non-resident" for the purposes of the Tax Act or an entity an interest in which is a "tax shelter investment" for purposes of the Tax Act or a "non-Canadian" within the meaning of the *Investment Canada Act*;

(ii) is not a partnership, or, in the case that it is a partnership, it is a "Canadian partnership" for purposes of the Tax Act;

(iii) is not a "financial institution" as that term is defined in subsection 142.2(1) of the Tax Act, unless such prospective purchaser has provided written notice to the contrary to the Limited Partnership prior to the date of acceptance of the prospective purchaser's subscription for Units;

(iv) has not financed the acquisition of the Units with borrowings for which recourse is, or deemed to be, limited for purposes of the Tax Act as described in Section 7.2(1)(c);

(v) deals at "arm's length" with the Limited Partnership for the purposes of the Tax Act; and

(vi) will maintain the status set out in (i), (ii), (iii) and (iv) above during such time as the Units are held;

(d) irrevocably nominates, constitutes and appoints the General Partner as its true and lawful attorney in accordance with Article 15;

(e) covenants and agrees, promptly upon request of the General Partner, to execute and return a completed CRA Form NR301 or such other document as requested by the General Partner;

(f) irrevocably authorizes the General Partner to implement the dissolution of the Limited Partnership as set out in this Agreement and to file on his, her or its behalf all elections under applicable income tax legislation in respect of the dissolution of the Limited Partnership; and

(g) covenants and agrees that all documents executed and other actions taken on behalf of the Limited Partners pursuant to the Power of Attorney set out in this Agreement will be binding upon such Subscriber, and each Subscriber agrees to ratify any of such documents or actions upon request by the General Partner.

**Section 2.8 Rejection of Subscription for Units**

(1) The General Partner, on behalf of the Limited Partnership, shall have the right to accept or reject subscriptions for Units ("**New Subscriptions**", Best Discoveries Subscriptions and New Subscriptions, collectively, are "**Subscriptions**") in whole or in part and to reject all Subscriptions. Without limiting the generality of the foregoing, the General Partner will reject Subscriptions:

(a) if the General Partner reasonably believes the Subscriber has financed the acquisition of Units with indebtedness that is a limited-recourse amount for the purposes of the Tax Act as described in Section 7.2(1)(c);

(b) if the General Partner reasonably believes the Subscriber to be:

(i) a "non-resident" or a partnership other than a "Canadian partnership" for the purposes of the Tax Act,

(ii) a "non-Canadian" for the purposes of the *Investment Canada Act*,

(iii) a person an interest in which is a "tax shelter investment" for purposes of the Tax Act, or

(iv) a "financial institution" for purposes of the Tax Act if such purchase would result in "financial institutions" for the purposes of the Tax Act being the beneficial owners of more than 45% of the Units.

(c) if, in the opinion of counsel to the Limited Partnership, such subscription would result in the violation of any applicable securities laws or other laws or have a material adverse effect on the legal or tax status of the Limited Partnership; or

(d) if the General Partner believes that the representations and warranties provided by the Subscriber in a Subscription Agreement are untrue.

If a Subscription is rejected in whole or in part, monies received and not applied towards the Subscription Price shall be returned forthwith to the Subscriber. In the case of rejections of Subscriptions pursuant to the Share Exchange Transaction, the shares of Best Discoveries will not be exchanged for Units and will be redeemed for cash by BEST Discoveries.

**Section 2.9 Void Ab Initio**

In the event the General Partner determines that Units have been issued to one or more persons described in Section 2.8(1)(b) and such Units are not redeemed by the General Partner or sold to a person qualified to hold Units, such Units will be deemed to be *void ab initio* and deemed never to have been issued (and such person will only be entitled to the fair value of their Units as of the original purchase date).

**Section 2.10 Financial Institutions**

At no time may "financial institutions" (as that term is defined in subsection 142.2(l) of the Tax Act) (each a "**financial institution**") be the beneficial owners of more than 45% of the Units. The General Partner may require any Limited Partner to provide a declaration as to its status as a financial institution. If the General Partner becomes aware that the beneficial owners of 45% or more of the Units then outstanding are, or may be, financial institutions or that such a situation is imminent, the General Partner will not accept a subscription for Units from or issue or register a transfer of Units to a person unless the person provides a declaration in form and content satisfactory to the General Partner that the person is not a "financial institution" for the purposes of the Tax Act. If the General Partner determines that more than 45% of the Units are held by financial institutions, the General Partner may send a notice to Limited Partners that are financial institutions, chosen in inverse order to the order of acquisition or registration or in another manner the General Partner may consider equitable and practicable, requiring them to sell all or a portion of their Units within a specified period of not less than 15 days from delivery of the notice. If the Limited Partners receiving the notice have not sold the specified number of Units or provided the General Partner

with satisfactory evidence that they are not financial institutions within that period, the General Partner will have the right to sell those Limited Partners' Units (and in the interim, will suspend the voting and distribution rights attached to those Units) or to purchase the same on behalf of the Limited Partnership at fair value determined by an independent third party selected by the General Partner, whose determination will be final and binding and not subject to review or appeal. Upon the sale of those Units, the Affected Partners will cease to be Limited Partners and their rights will be limited to receiving the net proceeds of sale of those Units.

**Section 2.11 Borrowings**

The General Partner may cause the Limited Partnership to borrow money from time to time to take advantage of investment opportunities or for general operating purposes. The Limited Partnership may utilize leverage up to 50% of its Partnership Equity at the time of borrowing or incurring leverage. To the extent that at any time borrowing or leverage exceeds 50% of its Partnership Equity, the General Partner will take steps as soon as reasonably possible to reduce borrowing or leverage to an amount not exceeding 50% of Partnership Equity.

**Section 2.12 Debentures and Convertible Securities**

(1) The Limited Partnership may issue debentures or other securities convertible into Units.

(2) The Limited Partnership may create such debentures, mortgages and other security instruments, whereby registered security is created over the assets and personal property of the Limited Partnership and held by a trustee or nominee, as the General Partner may reasonably advise to be necessary or desirable in order to secure funding for the Limited Partnership for the purpose of investing in Portfolio Companies, or to preserve the Limited Partnership's ability to obtain such funding at a future time.

## ARTICLE 3 – DISTRIBUTIONS, FEES AND EXPENSES

**Section 3.1 Distributions**

(1) The General Partner intends to make regular distributions to the Limited Partners, which will be assessed on a quarterly basis, having regard to the income received or anticipated to be received from the Portfolio Companies held by the Limited Partnership as well as the fees, expenses, other distributions and other obligations of the Limited Partnership. All distributions will be paid rateably to Limited Partners of record on the distribution record date in proportion to the number of Units held on that date. Where the General Partner makes a determination to make a distribution to the Limited Partners, the General Partner will also set a record date and payment date for the distribution.

(2) For each fiscal year of the Limited Partnership, the Net Income of the Limited Partnership will be allocated as described in Section 9.2.

(3) Distributions pursuant to Section 3.1(1) will be allocated to the Persons shown as Limited Partners on the Record as of the record date for the distribution set by the General Partner in proportion to the number of Units held by them.

(4) The cash distribution pursuant to Section 3.1(1) amount may differ from the amount allocated as Net Income to the Limited Partners in any year.

(5) The General Partner may implement a distribution reinvestment plan, which would permit the reinvestment of a Limited Partner's cash distributions in additional Units of the Limited Partnership.

(6) All distributions to Limited Partners will be made net of all costs and expenses relating to such distribution and any tax withholdings pursuant to Section 9.3.

(7) Other than distributions made in accordance with Section 3.1(1), it is not anticipated that the Limited Partnership will make distributions to the Partners except for (i) distributions to the General Partner in respect of Net Income allocated, or expected to be allocated in the future to the General Partner, or as otherwise described in this Agreement, or (ii) in connection with a distribution of assets upon dissolution of the Limited Partnership. However,

the General Partner may, at its discretion, make distributions to the Partners if the General Partner, in its discretion, considers such distributions to be in the best interests of the Limited Partnership. Any such additional distributions will be allocated among the Partners in the same manner as distributions are allocated upon dissolution of the Limited Partnership.

**Section 3.2 Priority Profit Allocation**

(1) The General Partner will share in the Limited Partnership's profits by receiving, among other things, a priority share of the Net Income of the Limited Partnership (the "**Priority Profit Allocation**"). Distributions may be made to the General Partner (the "**Priority Profit Distribution**") in respect of its established or potential future entitlement to the Priority Profit Allocation, calculated as of the last day of each calendar quarter in an amount equal to 0.67% (2.68% annualized) of the Total Assets as of the last day of the calendar quarter (the "**Priority Profit Quantum**"). For purposes of determining whether to make a Priority Profit Distribution, the General Partner will take into account the net income of the Limited Partnership for the period ending at the end of the quarter, as well as the income anticipated to be earned by the Limited Partnership in the remainder of the applicable year and fees, expenses and other obligations of the Limited Partnership anticipated for the remainder of the applicable year.

**Section 3.3 Performance Allocation Distribution**

The General Partner is entitled to an additional share of the Net Income of the Limited Partnership in respect of each Fiscal Year (the "**Performance Allocation**") if the following conditions are satisfied:

(a) the total net realized and unrealized gains and income from the Limited Partnership from its portfolio of eligible investments since January 1, 1997 must have generated a return greater than the annualized average rate of return on five year Guaranteed Investment Certificates offered by a Schedule 1 Canadian chartered bank plus 2%;

(b) the compounded annual rate of return (including realized and unrealized gains and income) from the particular eligible investment since its acquisition by the Limited Partnership (or BEST Discoveries for investments held by BEST Discoveries and transferred to the Limited Partnership in the Share Exchange Transaction) must equal or exceed 12% per annum; and

(c) the Limited Partnership (including the time such investments were held by BEST Discoveries for investments held by BEST Discoveries and transferred to the Limited Partnership in the Share Exchange Transaction) must have recouped an amount equal to all capital or principal invested in the particular investment.

Upon satisfying the above conditions, the Performance Allocation allocable to the General Partner in respect of a particular period will be determined as described below.

The proceeds from the disposition of each particular eligible investment in each calendar quarter of the Limited Partnership, after deducting the costs of such investment, shall be allocated as follows:

(d) The Limited Partnership shall retain an amount equal to all gains and income earned from each particular eligible investment which provides a cumulative investment return at an annual average rate equal to 12% since investment by the Limited Partnership or BEST Discoveries as applicable.

(e) The General Partner, shall be allocated a share of the income of the Limited Partnership equal to all gains and income earned from each particular eligible investment in excess of the 12% annual average rate of return contemplated in (a) immediately above, up to and including a 15% annual average rate of return earned from the particular eligible investment.

(f) The portion of the income of the Limited Partnership equal to the amount of all gains and income earned on each particular eligible investment after deducting the amounts calculated in accordance with (a) and (b) immediately above, shall be allocated and retained/paid in the following proportions:

(i) 80% to the Limited Partnership; and

(ii) 20% to the General Partner.

The General Partner may receive distributions in respect of its established or potential future entitlement to the Performance Allocation, calculated and paid quarterly in arrears as of the last day of each calendar quarter.

**Section 3.4 Allocations of Income to the General Partner**

To the extent that the Net Income of the Limited Partnership is insufficient in any year to fully allocate an amount equal to the Priority Profit Quantum and the Performance Allocation for the year to the General Partner, the differential will be carried forward and factored into the allocation of the net income of the Limited Partnership in subsequent years, including in the year in which the termination of the General Partner occurs.

**Section 3.5 Management Fee**

(1) The Limited Partnership will pay to the General Partner (or such other Person as directed by the General Partner) a fee (the "**Management Fee**") equal to 0.995% per annum of the value of the Limited Partnership's Total Assets calculated and paid monthly in arrears for services performed by or on behalf of the General Partner, including investment management services, management advisory services, sales and marketing services and accounting and administrative services.

(2) The Management Fee will be calculated as follows:

(a) the Management Fee will be paid monthly in arrears and will be calculated on the Limited Partnership's Total Assets as at the last day of the month for the applicable calendar month in respect of which a payment is made; and

(b) if the Share Exchange Transaction does not take place on the first day of a calendar month, the amount of the Management Fee payable for the first calendar month will be pro-rated for the period between the date of the Share Exchange Transaction and the last day of the month in which the Share Exchange Transaction occurs.

**Section 3.6 Operating Expenses**

The Limited Partnership is liable for, and will reimburse the General Partner to the extent the General Partner is not reimbursed by a Portfolio Company or other third party in respect of, any out-of-pocket investment-related expenses, broken deal expenses and expenses related to the organization and operation of the Limited Partnership (collectively, the "**Operating Expenses**"), including:

(a) legal, audit and valuation costs and fees of other specialized consultants or professional service providers of the Limited Partnership;

(b) accounting expenses;

(c) Limited Partner reporting costs and regulatory filing fees;

(d) expenses relating to the making, holding and divestiture of investments or proposed investments, whether or not consummated;

(e) fees and expenses relating to compliance with securities laws, including newswire, mailing, printing and other expenses incurred in connection with the Limited Partnership's continuous disclosure obligations;

(f) fees and expenses relating to the listing of the Units and compliance with applicable listing requirements;

(g) the Management Fee;

(h) the expenses of the board of directors of T1 General Partner Corp., to the extent incurred;

(i) the fees and expenses of the Custodian, the Transfer Agent and CDS;

(j) expenses relating to the administration of any distribution reinvestment plan;

(k) expenses relating to meetings of the Limited Partners;

(l) all litigation-related and indemnification-related costs and expenses;

(m) storage costs and lease and rent expenses;

(n) expenses relating to communications with agents of record in respect of market services;

(o) the fees payable to the independent directors of TI General Partner Corp., and any cost of providing directors and officers liability insurance coverage for the directors and officers;

(p) any expenditure which may be incurred in connection with the dissolution of the Limited Partnership; and

(q) any Taxes (other than income taxes) relating to any of the foregoing expenses.

(2) The General Partner will allocate expenses relating solely to one class of Units only to that class, and otherwise will allocate expenses as it deems equitable when allocating the Net Income or Net Loss of the Limited Partnership among the members of the Limited Partnership.

(3) The Limited Partnership will reimburse the General Partner for any reasonable out-of-pocket expenses incurred by the General Partner or its agents in the ordinary course of business or other costs and expenses incidental to acting as General Partner so long as the General Partner is not in default of its obligations under this Agreement.

**Section 3.7 General Partner Expenses**

The General Partner will bear, and the Limited Partnership will not bear, any expenses attributable to:

(a) compensation and benefits of the employees of the General Partner and its Affiliates;

(b) fees payable to the Investment Advisor pursuant to the Investment Advisor Agreement;

(c) office space and facilities, utilities and telephone except as provided for in Section 3.6(m); and

(d) travel, exploratory, consulting and other expenses related to investigating, evaluating or monitoring the Limited Partnership's investments.

## ARTICLE 4 – TRANSFER OF UNITS

**Section 4.1 General Provisions**

(1) Subject to any rules and regulations with respect to transfers promulgated by any stock exchange on which the Units are listed and any applicable securities laws, and subject to the provisions of this Agreement, Units may be transferred by a Limited Partner or its agent duly authorized in writing to any Person but such Person shall not be recorded on the Record as the holder of the Units so transferred nor, if such Person is not a Limited Partner, be entitled to become a Limited Partner unless such Person has delivered to the General Partner or Transfer Agent, if requested, a transfer form completed and executed in a manner acceptable to the General Partner.

(2) Units may be transferred by a Limited Partner subject to the following conditions:

(a) no transfer of a fractional part of a Unit (if any) shall be recognized;

(b) on request of the General Partner, the Limited Partner must deliver to the Transfer Agent a form of transfer and power of attorney duly completed and executed by the Limited Partner, as transferor, and/or the transferee and other necessary documentation duly executed, together with such evidence of the genuineness of the endorsement, execution and authorization thereof and of such other matters as may reasonably be required by CDS and/or the Transfer Agent and the transfer shall be recorded in the Book-Based System, if applicable;

(c) the transferee will become a Limited Partner in respect of the Unit transferred to him or her as of the day on which the Transfer Agent/General Partner enters the prescribed information on the Record of Limited Partners;

(d) any transfer of a Unit will be at the expense of the transferee (but the Limited Partnership will be responsible for all costs in relation to the preparation of any amendment to the Limited Partnership's Record and similar documents in other jurisdictions);

(e) no transfer of a Unit shall cause the dissolution of the Limited Partnership; and

(f) no transfer of Units will be accepted or entered into the Record by the Transfer Agent after notice of dissolution of the Limited Partnership is given to the Limited Partners after the occurrence of any of the events set forth in Section 5.2.

(3) Upon a Transfer of Units in accordance with this Agreement and the transferee being otherwise entitled to be admitted to the Limited Partnership as a Limited Partner under this Agreement, all Partners are deemed to consent to the transferee being admitted to the Limited Partnership and authorize the transferor to constitute the transferee a substituted Limited Partner without the need of any further act of the Partners.

(4) A transferee of Units, by executing the transfer form or such documentation required by the General Partner, agrees to become bound and subject to this Agreement as a Limited Partner as if the transferee had personally executed this Agreement and, without limiting the generality of the foregoing, such transferee will be deemed to make all of the representations and warranties, covenants, agreements and acknowledgements of a Limited Partner pursuant to this Agreement, including that the transferee is not a "non-resident" for purposes of the Tax Act and is not a "non-Canadian" for purposes of the *Investment Canada Act*, that no holder of an interest in the transferee is a "tax shelter investment" as defined in the Tax Act, that the transferee is not a partnership (except a "Canadian partnership" for purposes of the Tax Act), that the transferee is not a "financial institution" for purposes of the Tax Act (unless written notice to the contrary has been provided), that the acquisition of Units by the transferee was not, and will not be, financed through indebtedness which is a limited-recourse amount (for the purposes of the Tax Act) and that he or she will continue to comply with these representations, warranties and covenants during the time that the Units are held by him or her, and to grant the Power of Attorney provided for in Article 15.

(5) No transfer of a Unit shall relieve the transferor from any obligations to the Limited Partnership incurred prior to the transfer becoming effective. Where the transferee complies with the provisions aforesaid and is entitled to become a Limited Partner pursuant to the provisions hereof, subject to Section 4.1(1), the General Partner shall be authorized to admit the transferee to the Limited Partnership as a Limited Partner and the Limited Partners hereby consent to the admission of, and will admit, the transferee to the Limited Partnership as a Limited Partner, without further act of the Limited Partners (other than as may be required by law).

(6) The General Partner shall have the right to delay until the Business Day prior to a record date for any distribution to Partners or December 31 in any year the registration of a transfer of Units and has the right to delay until after December 31 or the record date for any distribution to the Partners, the registration of any transfer of Units received within five Business Days prior to such date. No transfer of Units shall be accepted by the General Partner more than 15 days after the sending of a notice of dissolution in connection with Section 5.2.

(7) Upon the death, bankruptcy, liquidation or dissolution of a Limited Partner, the rights and obligations of that Limited Partner under this Agreement enure to the benefit of, and are binding upon, the heir, successor, estate or legal representative of the Limited Partner. Such heir, successor, estate or legal representative is deemed to be a permitted transferee of such Limited Partner for purposes of this Article 4, and is deemed to be a substituted Limited Partner by the transferor without any further act required of the Partners.

**Section 4.2 Rejection of Transfers**

The General Partner will have the right to accept or reject any transfer, in whole or in part. Without limiting the generality of the foregoing, the General Partner will reject transfers for the following reasons:

(a) if the General Partner reasonably believes the transferee has financed the acquisition of Units with indebtedness that is a limited-recourse amount as described in Section 7.2(1)(c);

(b) if the General Partner reasonably believes the transferee to be:

(i) a "non-resident" or a partnership other than a "Canadian partnership" for the purposes of the Tax Act,

(ii) a "non-Canadian" for the purposes of the *Investment Canada Act*,

(iii) a person an interest in which is a "tax shelter investment" for purposes of the Tax Act, and

(iv) a "financial institution" for purposes of the Tax Act if such purchase would result in "financial institutions" for the purposes of the Tax Act being the beneficial owners of more than 45% of the Units.

(c) if, in the opinion of counsel to the Limited Partnership, such transfer would result in the violation of any applicable securities laws or other laws or have a material adverse effect on the legal or tax status of the Limited Partnership; or

(d) if the General Partner believes that the representations and warranties provided by the transferee in the transfer form and power of attorney or deemed to be provided are untrue.

**Section 4.3 Form of Transfer**

The transfer form, if any, shall be signed by the transferor (whose endorsement thereon shall be guaranteed by a Canadian Schedule 1 chartered bank, a major trust company in Canada, a member of the Securities Transfer Association Medallion Program (STAMP), a member of the Stock Exchange Medallion Program (SEMP) or a member of the New York Stock Exchange Inc. Medallion Signature Program (MSP)) and by the transferee and shall be accompanied by the certificate(s), if any, issued by the Limited Partnership representing the Units to be transferred.

**Section 4.4 Additional Documentation on Transfer**

If a transferor of Units is a firm or a corporation, or purports to assign such Units in any representative capacity, or if an assignment results from the death, mental incapacity or bankruptcy of a Limited Partner or is otherwise involuntary, the transferor or his or her legal representative shall furnish to the General Partner such documents, certificates, assurances, court orders and other instruments as the General Partner may reasonably require to effect the said transfer and assignment.

**Section 4.5 Recording of Transfer**

Subject to the provisions of this Article 4, the Transfer Agent and/or CDS, as applicable, will record all transfers of Units and the General Partner or Transfer Agent, as applicable, will amend or cause to be amended the Record and will do all things and make such filings and recordings as are required by law to effect and record such

transfers. The transferee of Units does not become a Limited Partner and is not entitled to any of the rights of a Limited Partner or to share in any allocation or to share in distributions until the name of that person is entered on the Record.

**Section 4.6 Effective Date of Transfer**

The effective date of any transfer of Units is the later of the day on which all necessary documentation respecting such transfer has been filed or completed in accordance with this Agreement and applicable legislation and the day the General Partner or the Transfer Agent, as applicable, records the transferee in the Record as having been admitted as a Limited Partner, as of which date the transferee will become a Limited Partner and will be deemed to have been accepted as such by every other Limited Partner. No transfer shall relieve the transferor from any obligations to the Limited Partnership incurred prior to the transfer becoming effective.

**Section 4.7 Mandatory Redemption for Transfers to Persons Not Qualified**

In the event the General Partner determines that Units have been transferred to one or more persons described in Section 4.2(b), and such Units are not sold to a person qualified to hold Units by the Limited Partner or the General Partner on behalf of the Limited Partner, then the Limited Partnership may sell or redeem the Units in the manner described in Section 7.4.

## ARTICLE 5 – DISSOLUTION

**Section 5.1 Term**

Subject to Section 5.2, the Limited Partnership will continue until the General Partner determines, in its sole discretion, that the Limited Partnership is no longer economically viable and should therefore be terminated or that the termination of the Limited Partnership is otherwise in the best interests of the Limited Partners.

**Section 5.2 Dissolution Events**

(1) The Limited Partnership shall terminate and will be dissolved:

(a) in the circumstances set out in Section 5.1;

(b) on such other date as the General Partner may propose in writing and the Limited Partners consent to by means of Extraordinary Resolution;

(c) if, an event referred to in Section 8.3 has occurred and a new general partner has not been appointed by the Limited Partners on or before 90 days following the occurrence of such an event; or

(d) if, an event referred to in Section 8.4 has occurred and a new general partner has not been appointed by the Limited Partners on or before 90 days following the occurrence of such an event.

(2) The Limited Partnership will not come to an end by reason of the death, insolvency, bankruptcy or other disability or withdrawal of any Limited Partner or upon the transfer of any Units.

**Section 5.3 Dissolution and Winding-Up**

(1) To effect the wind-up of the affairs of the Limited Partnership upon its termination, the General Partner will act as, or will appoint another Person to act as, the liquidator to wind-up the affairs of the Limited Partnership pursuant to this Agreement; except that, if there is no remaining General Partner at that time, the Limited Partners may by Ordinary Resolution appoint an appropriate person to act as the liquidator(s) instead of the General Partner.

(2) The liquidator will take all steps necessary to effect the disposition of the assets of the Limited Partnership for cash proceeds.

(3) In connection with the termination and dissolution of the Limited Partnership as contemplated by Section 5.2 above, the General Partner or its designee (or in the event of an occurrence described in paragraphs Section 5.2(1)(c) or Section 5.2(1)(d) such other person as may be appointed by Ordinary Resolution) shall act as receiver of the assets of the Limited Partnership and, in the order of priority set forth below, shall:

(a) wind up the affairs of the Limited Partnership and liquidate the assets of the Limited Partnership as fully and promptly as reasonably possible. The General Partner (or such other receiver) shall, unless otherwise directed by a Extraordinary Resolution, sell, in the market or by private sale, all of the securities owned by the Limited Partnership, with the sole objective of ensuring that such assets are completely liquidated into cash with a view to maximizing sales proceeds. Should the liquidation of certain securities not be practicable or appropriate, those securities will either be distributed to the partners *in specie*, on a *pro rata* basis, on such date, subject to all regulatory approvals and thereafter such property will, if necessary, be partitioned to the Limited Partners as described in this section and thereafter;

(b) pay or provide for the payment of the debts and liabilities of the Limited Partnership, liquidation expenses, contingent liabilities and any other indebtedness of the Limited Partnership, any accrued and unpaid Management Fee and to the extent there is any Net Income for the period from the beginning of the Fiscal Year up to the date of dissolution any distribution of such Net Income to the Partners in accordance with this Agreement, including interest accrued thereon, and thereafter;

(c) distribute the proceeds of such sale and any remaining assets of the Limited Partnership in the following manner:

(i) in the event that on the date of dissolution the net aggregate of the current account and the capital account for the Limited Partners remains a credit balance, the net assets shall be distributed proportionately among the Limited Partners (and such distribution shall be deemed to be a return of capital or a current return pro-rata based on the credit balances for the Limited Partners); and

(ii) in the event that on the date of dissolution there are no credit balances described in (i) of the Limited Partners, or if there remain net assets of the Limited Partnership after the distribution required to be made under (i) above has been completed, the balance of such net assets shall be distributed as to 99.999% to the Limited Partners and as to 0.001% to the General Partner. In the event that the General Partner (or such other receiver) has not by the date of dissolution sold all of the securities owned by the Limited Partnership, the balance of such unsold securities and any remaining net assets shall be distributed by transfer of an undivided interest in such assets to the Partners, and the General Partner shall, if necessary, thereafter take steps to partition such undivided interests such that the Limited Partners receive 99.999% and the General Partner receives the balance thereof, and thereafter; and

(iii) satisfy all applicable formalities relating to the dissolution of limited partnerships in such circumstances as may be prescribed by applicable law, including the filing of a notice of termination pursuant to the Limited Partnerships Act;

(d) except upon a dissolution of the Limited Partnership, or the return of capital to the Initial Limited Partner, no Limited Partner may request any reimbursement of the capital contributed by it to the Limited Partnership;

(e) except as provided for in this Article 5, no Limited Partner will have the right to ask for the dissolution of the Limited Partnership, for the winding-up of its affairs or for the distribution of its assets;

(f) notwithstanding the dissolution of the Limited Partnership, this Agreement will not terminate until the provisions of this Article 5, have been complied with;

(g) the General Partner will prior to the dissolution of the Limited Partnership use its best efforts to obtain any consents, rulings, orders, waivers or discretionary relief, including such relief as may be appropriate to eliminate any resale restrictions which may be applicable to any securities to be distributed to Limited Partners by the Limited Partnership, which may be required to permit the Limited Partnership to implement any *in specie* distribution of assets to the Limited Partners in connection with the dissolution of the Limited Partnership; and

(h) the General Partner may, in its sole discretion and upon not less than 30 days' prior written notice to the Limited Partners, extend the date for the termination of the Limited Partnership to a date not later than three months after the date of termination of the Limited Partnership if the General Partner has been unable to convert all of the Limited Partnership's assets to cash or freely trading securities and the General Partner determines that it would be in the best interests of the Limited Partners to do so.

(4) Upon the termination of the Limited Partnership, the affairs of the Limited Partnership will be wound up and, upon completion of such winding-up, the Limited Partnership will be dissolved. The Limited Partnership will not dissolve at any other time or for any other reason.

(5) The General Partner may, with the consent of Limited Partners by an Ordinary Resolution, cause the Limited Partnership to be merged with or into another entity with similar investment objectives, including a limited partnership or trust of which the General Partner or an Affiliate of the General Partner is the general partner or trustee. Such merger may be effected in a manner reasonably determined by the General Partner, including an exchange of Units for corresponding interests of the entity with which or into which the Limited Partnership is proposed to be merged.

## ARTICLE 6 – FUNCTIONS, POWERS AND LIABILITIES OF THE PARTNERS

### Section 6.1 Powers of the Limited Partners

No Limited Partner, in its capacity as a Limited Partner, may take part in the control of the business of the Limited Partnership or hold itself out as having the power or authority to bind the Limited Partnership or a Partner other than itself.

### Section 6.2 Limited Liability of Limited Partners

(1) Any provision of this Agreement that would have the effect of imposing on any Limited Partner any of the liabilities, obligations or powers of a general partner under the Limited Partnerships Act is of no force to the extent of such imposition and will be severed from the remainder of this Agreement. The liability of each Limited Partner to the Limited Partnership is limited to the maximum extent permitted under the Limited Partnerships Act.

(2) Subject to applicable law, the liability of a Limited Partner for the debts, liabilities and obligations of the Limited Partnership will be limited to the amount contributed in respect of such Limited Partners' Units, plus its *pro rata* share of any undistributed income of the Partnership, and except as otherwise provided herein including in sections 6.2(4) and (6), a Limited Partner will not as such otherwise be liable for any further claim, assessment or contribution to the Limited Partnership.

(3) A Limited Partner will not be liable for any further calls or assessments or further contributions to the Limited Partnership. However, if as a result of a distribution to the Partners, the capital of the Limited Partnership is reduced and the Limited Partnership becomes unable to discharge its debts in the normal course, each Partner having received any such distribution, whether or not such person then remains a Partner of the Limited Partnership, agrees to return to the Limited Partnership or, if the Limited Partnership has been dissolved, to its creditors, with interest, such portion of the amount distributed to such Partner as may be necessary to discharge the liabilities of the Limited Partnership to all creditors who extended credit or whose claims otherwise arose before such distribution.

(4) The Limited Partners acknowledge the possibility that, among other reasons, they may lose their limited liability:

(a) if the Limited Partnership carries on business in a jurisdiction outside of Ontario which does not recognize the limitation of liability conferred under the Limited Partnerships Act except to the extent the Limited Partnership is given extra territorial recognition by the laws of the other jurisdiction as contemplated in (5) below; or

(b) by taking part in the control of the business of the Limited Partnership; or

(c) in circumstances where a false statement has been made in the Limited Partnership declaration and a person, in reliance upon that statement, has suffered injury or loss by reason of the false statement or who becomes aware that the Record contains a false or misleading statement and fails within a reasonable period of time to take steps to cause the Record to be corrected, in which case they may be liable to third parties.

(5) The Limited Partnership will, prior to opening an office in or making any investment in any Portfolio Company organized under the laws of a jurisdiction outside of Ontario, confirm that under the laws of such jurisdiction the limited liability of the Limited Partners will be recognized to the same extent in all material respects that such liability is limited under the laws of the Province of Ontario, and that General Partner has taken all reasonable steps (including making registrations or filings) necessary or advisable under the laws of that jurisdiction to ensure that the Limited Partners benefit from such limited liability. The General Partner will cause the Limited Partnership to be qualified or registered under applicable limited partnership statutes or similar laws in any jurisdiction in which the Limited Partnership owns property or transacts business if and to the extent that such qualification or registration is, in the reasonable opinion of the General Partner, necessary in order to protect the limited liability of the Limited Partners or to permit the Limited Partnership to lawfully own property or to transact business.

(6) Each Limited Partner shall indemnify and hold harmless the Limited Partnership, the General Partner and each other Limited Partner from and against all losses, liabilities, expenses and damages suffered or incurred by the Limited Partnership, the General Partner or the other Limited Partners by reason of misrepresentation or breach of any of the representations, warranties or covenants of such Limited Partner as set out in Section 7.2.

**Section 6.3 Powers of the General Partner**

(1) The General Partner has the exclusive authority, responsibility and obligation to administer, manage, conduct, control and operate the business and affairs of the Limited Partnership and has all power and authority, for and on behalf of and in the name of the Limited Partnership, to do any act, take any proceeding, make any decision and execute and deliver any instrument, deed, agreement or document necessary or appropriate for or incidental to carrying on the business of the Limited Partnership The authority and power so vested in the General Partner is broad and includes all authority necessary or incidental to carry out the objects, purposes and business of the Limited Partnership. No person dealing with the Limited Partnership will be required to verify the power of the General Partner to take any measure or to make any decision in the name of or on behalf of the Limited Partnership.

(2) Without limiting the above, but always in pursuance of the business of the Limited Partnership and subject to the terms of this Agreement and to any applicable limitations in the Limited Partnerships Act which have not been amended by this Agreement, the General Partner will be vested with all of the rights, powers and obligations that may be possessed by a general partner under the Limited Partnerships Act, for and on behalf of and in the name of the Limited Partnership, including, without limitation, the following powers to:

(a) be responsible for all aspects of the management, operation and administration of the Limited Partnership, including to:

(i) identify, screen, monitor, manage and dispose of the Limited Partnership's investments;

(ii) provide such services as are reasonably required in respect of the Limited Partnership's day-to-day operations;

(iii) conclude agreements with third parties, including the Investment Advisor Agreement, so that services may be rendered to the Limited Partnership and to delegate to those third parties any power or authority of the General Partner under this Agreement if, in the discretion of the General Partner, it would be in the best interests of the Limited Partnership to do so (but that agreement or delegation will not relieve the General Partner of any of its obligations under this Agreement), and supervise such third parties;

(iv) formulate the investment objectives, restrictions and procedures of the Limited Partnership and negotiating the terms of investments;

(v) determine the amount and timing of distributions and administering any distribution re-investment plan;

(vi) maintain the books and records of the Limited Partnership, including the Record of Limited Partners, reflecting the activities of the Limited Partnership; and

(vii) prepare all continuous disclosure documents and other documents required to comply with securities law and listing requirements in respect of the Limited Partnership and all material in connection with meetings of Limited Partners;

(b) admit any person as a Limited Partner, subject to the provisions of Section 2.5 and Section 4.2;

(c) open and manage in the name of the Limited Partnership bank accounts and to name signing officers for these accounts, and spend capital of the Limited Partnership in the exercise of any right or power possessed by the General Partner;

(d) enter into agreements to borrow funds or otherwise create leverage on behalf of the Limited Partnership and to grant a security interest in the Limited Partnership's assets as security for such borrowing or leverage;

(e) manage, control and develop all the activities of the Limited Partnership and take all measures necessary or appropriate for the business of the Limited Partnership or ancillary to that business and to ensure that the Limited Partnership complies with all necessary reporting and administrative requirements, including, without limitation, those set out in this Agreement;

(f) manage, administer, conserve, develop, operate and dispose of any and all properties or assets of the Limited Partnership, and in general to engage in all phases of business of the Limited Partnership;

(g) without altering or affecting the Limited Partnership's rights, titles and interests, hold the assets of the Limited Partnership in the name of the General Partner, as nominee for the Limited Partnership, and for the use and benefit of the Partners in accordance with the terms and provisions of this Agreement, until such time as the General Partner determines that it is appropriate or advisable for the assets to be held or registered in the name of the Limited Partnership, another nominee or otherwise (for greater certainty, the General Partner's holding of the assets will not prevent the vesting of the legal and beneficial title to the assets in the Limited Partnership in the manner and at the time that may be otherwise be provided in this Agreement);

(h) in the event that the Investment Advisor Agreement is terminated, to appoint a successor investment advisor to carry out the activities of the Investment Advisor;

(i) apply to list the Units on any stock exchange and take whatever steps are required and on behalf of the Limited Partnership to comply with the listing requirements and maintain the listing;

(j) purchase Units for cancellation and to establish a normal course issuer bid in accordance with the rules of any stock exchange on which the Units are listed;

(k) execute any and all other deeds, documents and instruments and do all acts as may be necessary or desirable to carry out the intent and purpose of this Agreement;

(l) to employ such persons necessary or appropriate to carry out the business and affairs of the Limited Partnership and/or to assist it in the exercise of its powers and the performance of its duties hereunder and to pay such fees, expenses, salaries, wages and other compensation to such persons as it shall in its sole discretion determine;

(m) to make any and all expenditures and payments which it, in its sole discretion, deems necessary or appropriate in connection with the management of the affairs of the Limited Partnership and the carrying out of its obligations and responsibilities under this Agreement;

(n) distribute property in accordance with the provisions of this Agreement, and make on behalf of the Limited Partnership and each Limited Partner, in respect of each such Limited Partner's interest in the Limited Partnership, any and all elections, determinations or designations under the Tax Act or any other taxation or other legislation or laws of like import of Canada or any province or jurisdiction, and file on behalf of the Limited Partnership and each Limited Partner, in respect of such Limited Partner's interest in the Limited Partnership, any information return required to be filed in respect of the activities of the Limited Partnership under the Tax Act or any other taxation or other legislation or laws of like import of Canada or any province or jurisdiction;

(o) to pay, on behalf of the Limited Partnership, fees and expenses to agents and other service providers;

(p) to commence and/or defend any and all actions and/or proceedings in connection with the Limited Partnership;

(q) to engage such counsel, auditors and other professionals or other consultants as the General Partner considers advisable in order to perform its duties hereunder and to monitor the performance of such advisors and to grant security, encumbrances or restrictions on behalf of the Limited Partnership;

(r) to raise capital on behalf of the Limited Partnership by offering Units for sale, subject to any necessary regulatory approvals and in accordance with this Agreement;

(s) to develop and implement all aspects of the Limited Partnership's communications, marketing and distribution strategy;

(t) to file income and other tax returns, information forms and other returns required by any governmental or like authority; and

(u) to execute and file with any governmental body or stock exchange, any document necessary or appropriate to be filed in connection with the business of the Limited Partnership or in connection with this Agreement.

**Section 6.4 Exercise of Powers of the General Partner**

(1) The General Partner shall exercise its powers and discharge its duties and obligations hereunder honestly, in good faith, and in the best interests of the Limited Partnership and shall, in discharging its duties, exercise the degree of care, diligence and the skill that a reasonably prudent and qualified manager would exercise in similar circumstances.

(2) During the existence of the Limited Partnership, the officers of T1 General Partner Corp. shall devote such time and effort to the business of the Limited Partnership as may be necessary to promote adequately the interests of the Limited Partnership and the mutual interests of the Limited Partners.

(3) The Limited Partners acknowledge that certain members of the T1 Group may be, and may in the future become, involved in investment activities, including managing investments on behalf of others. Such activities may involve managing other investments in the Portfolio Companies. The Limited Partners acknowledge that the members of the T1 Group may undertake such activities so long as such activities do not materially interfere with the General Partner's or the Investment Advisor's obligations to the Limited Partnership, and the Limited Partners further acknowledge that such activities are deemed not to constitute a conflict of interest on the part of the General Partner or any member of the T1 Group in relation to the Limited Partnership.

**Section 6.5 Elections Under the Tax Act**

(1) The General Partner will have the power on behalf of the Limited Partnership and of each Limited Partner to make, in respect of the Limited Partnership and of any Limited Partner's interest in the Limited Partnership, any and all elections, determinations or designations under the Tax Act or any other taxation or other legislation or laws of like import of Canada or of any province or jurisdiction.

(2) The General Partner shall file, in a timely manner, on behalf of itself and the Limited Partners, annual Limited Partnership information returns and any other information returns required to be filed under the Tax Act and any other applicable tax legislation in respect of Limited Partnership matters, except to the extent that such information returns may have to be completed or filed by the Limited Partners themselves and the filing requirements cannot be satisfied by one information return filed by the General Partner.

**Section 6.6 Restriction on Powers of General Partner**

Unless authorized by a Extraordinary Resolution, the General Partner will not be entitled to dissolve the Limited Partnership or wind up the Limited Partnership's affairs, except as provided herein.

**Section 6.7 Delegation of Powers of General Partner**

The General Partner may contract with any person to carry out any of the duties of the General Partner under this Agreement and may delegate to such person any power and authority of the General Partner, but no such contract or delegation to such person shall relieve the General Partner of any of its obligations under this Agreement, and, for greater certainty, the General Partner or an Affiliate or Associate thereof may render services to the Limited Partnership, provided that the services rendered by the General Partner or by such Affiliate or Associate are performed pursuant to a written agreement and are charged to the Limited Partnership at rates consistent with those of a third party dealing at arm's length with the Limited Partnership and furnishing similar services. Pursuant to its power to contract with and delegate its power and authority, the General Partner may enter into the Investment Advisor Agreement.

**Section 6.8 Limited Liability of General Partner**

(1) The General Partner has unlimited liability for the debts, liabilities and obligations of the Limited Partnership. The General Partner will not be liable to the Limited Partners for any mistakes or errors in judgement, or for any act or omission believed by it in good faith to be within the scope of the authority conferred upon it by this Agreement (other than an act or omission which is in contravention of this Agreement or which results from or arises out of the General Partner's gross negligence or wilful misconduct in the performance of, or wilful disregard or breach of, a material obligation or duty of the General Partner under this Agreement) or for any loss or damage to any of the property of the Limited Partnership attributable to an event beyond the control of the General Partner or its affiliates.

(2) In any action, suit or other proceeding commenced by a Limited Partner against the General Partner, other than a claim for indemnity pursuant to this Agreement, the Limited Partnership shall bear the reasonable expenses of the General Partner in any such action, suit or other proceeding in which or in relation to which the General Partner is adjudged not to be in breach of any duty or responsibility imposed upon it by this Agreement, otherwise, such costs will be borne by the General Partner.

**Section 6.9 Limitations on Authority of Limited Partners**

No Partner, except the General Partner, will:

(a) be or purport to be entitled to take part in the control of the business of the Limited Partnership;

(b) be or purport to be entitled to transact any business on behalf of the Limited Partnership or make any commitment on behalf of or otherwise obligate or bind the Limited Partnership;

(c) otherwise than by voting on a resolution of the Partners, be or purport to be entitled, as such, to make any commitment on behalf of or otherwise obligate or bind any other Partner; or

(d) be capable of being a party to any litigation involving a claim by or against the Limited Partnership other than in respect of its rights and obligations as a Limited Partner.

**Section 6.10 Restrictions on Partners**

No Partner will, except as expressly provided for in this Agreement:

(a) file or record, or permit to be or remain filed or recorded, against any property of the Limited Partnership, any privilege, lien, caveat or charge in respect of its interest in the Limited Partnership; or

(b) seek to compel a partition or sale, judicial or otherwise, of any property of the Limited Partnership or otherwise require any property of the Limited Partnership to be distributed to any Partner in kind.

## ARTICLE 7 – REPRESENTATION, WARRANTIES AND COVENANTS OF PARTNERS

**Section 7.1 Representations, Warranties and Covenants of General Partner**

(1) The General Partner represents and warrants to the Limited Partners that:

(a) it is a valid and subsisting limited partnership formed under the laws of Ontario;

(b) it is a "Canadian partnership" as that term is defined in the Tax Act;

(c) it has and will continue to have the capacity to act as the General Partner, and its obligations in this Agreement do not conflict with nor constitute a default under its constating documents or any agreement by which it is bound;

(d) this Agreement constitutes a valid and legally binding obligation of the General Partner, enforceable against the General Partner in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization and other laws of general application limiting the enforcement of creditors' rights generally and to the fact that specific performance is an equitable remedy available only in the discretion of the court;

(e) it will exercise the powers conferred on it under this Agreement in pursuance of the business of the Limited Partnership;

(f) it will devote to the affairs of the Limited Partnership the amount of time that may be reasonably required for the proper management of the affairs of the Limited Partnership; and

(g) it is not and will not be a "non-resident" of Canada for the purpose of the Tax Act.

(2) The General Partner hereby covenants that:

(a) it will maintain the registrations necessary for the conduct of its business and will have the licenses and permits necessary to carry on its management of the Limited Partnership's business in all jurisdictions where the activities of the Limited Partnership require such licensing or other form of registration;

(b) it will make in a timely manner all filings respecting the Limited Partnership which may be required to be made pursuant to the terms of this Agreement or applicable legislation;

(c) it will exercise the powers conferred upon it hereunder in furtherance of the business in accordance with the standard of care set out in Section 6.4(1) hereof and will devote such time, with the appropriate personnel, to the conduct of the affairs of the Limited Partnership as may be reasonably required for the proper management of the affairs of the Limited Partnership; and

(d) during the period commencing on the date hereof and ending on the dissolution of the Limited Partnership in accordance with the terms of this Agreement, it shall not issue or offer, or agree or become bound to issue or offer, units of any class of its capital or any securities convertible into or exchangeable for units of any class of its capital or permit the transfer of the interests of any of its direct or indirect partners such that a Person (a "**Prohibited Person**") who is not of good repute or who does not have experience and expertise in the business of investing in Portfolio Companies or a group of Persons of which one or more Persons is a Prohibited Person (a "**Prohibited Group**") take, direct or indirect control of the General Partner, provided that the General Partner shall be deemed not to have breached its covenant in this Section 7.1(2)(d) if the General Partner makes such investigation and takes such other steps as a prudent businessperson would take in the circumstances to assure himself that a Prohibited Person or Prohibited Group is not taking direct or indirect control of the General Partner.

**Section 7.2 Representations, Warranties and Covenants of Limited Partners**

(1) Each Limited Partner represents and warrants to and agrees with the General Partner and all the other Limited Partners that:

(a) if an individual, he or she has obtained the age of majority and has the legal capacity and competence to enter into this Agreement and to take all actions required under this Agreement and that he/she or it is bound by the terms of this Agreement and is liable for all obligations of a Limited Partner and if a corporation or body corporate, it has the legal capacity and competence to enter into this Agreement and to take all actions required under this Agreement, and all necessary approvals by its directors, shareholders and members, or otherwise, have been given to authorize the entering into of this Agreement and to take all actions required under this Agreement;

(b) he/she or it is not, and for as long as he/she or it is a Limited Partner will not be:

(i) a "non-resident" of Canada for the purposes of the Tax Act; and

(ii) a "non-Canadian", as that expression is defined in the *Investment Canada Act*;

(c) he/she or it has not financed, and will not finance, his/her or its acquisition of the Units with a borrowing or other indebtedness for which recourse is or is deemed to be limited within the meaning of the Tax Act and, for the purpose of this representation, warranty and agreement, limited recourse indebtedness includes:

(i) indebtedness in respect of which bona fide written arrangements were not made at the time the indebtedness was incurred for repayment of all principal and interest within a reasonable period not exceeding 10 years;

(ii) indebtedness on which interest is not payable, at least annually, at a rate equal to or greater than the lesser of the rate prescribed under the Tax Act at the time the indebtedness arose and the prescribed rate that is applicable from time to time during the term of the indebtedness; and

(iii) indebtedness in respect of which such interest is not paid by the debtor within 60 days of the end of the debtor's tax year;

(d) no interest in the Limited Partner is a "tax shelter investment" as that term is defined in the Tax Act;

(e) it is not a partnership (other than a "Canadian partnership" as defined in the Tax Act) and is not subscribing for Units as a partner in, or on behalf of, any partnership (other than a "Canadian partnership" as defined in the Tax Act);

(f) he/she or it will deal at "arm's length" to the Limited Partnership for the purposes of the Tax Act;

(g) he/she or it will promptly upon request by the General Partner, execute and return a completed CRA Form NR301 or such other document as requested by the General Partner;

(h) he/she or it shall ensure that his/her or its status in Article 7 shall not be modified and he/she or it shall not transfer any of his/her or its Units, in whole or in part, in a manner that would not conform with this Agreement (including, without limitation, to a Person whose status would not conform to this Article 7);

(i) he/she or it will not transfer his/her or its Units in whole or in part except as set out in Article 4;

(j) he/she or it acknowledges and confirms that he/she or it has conveyed to his or its broker in respect of the Share Exchange Transaction his/her or its compliance with the representations and warranties set out in Section 7.2(1)(b), (c) and (d); and

(k) it is not a "financial institution" as that term is defined in subsection 142.2(l) of the Tax Act, unless the Limited Partner provided written notice to the contrary to the General Partner prior to the date of acceptance of the Limited Partners' subscription for Units.

(2) Under the Tax Act, if a Limited Partner finances the acquisition of Units with a limited-recourse amount the expenses incurred by the Limited Partnership may be reduced. Where the expense incurred by the Limited Partnership are so reduced and such reduction results in the reduction of a loss to the Limited Partnership the General Partner will reduce the amount of that loss which would otherwise be allocated to that Limited Partner by the amount of such reduction, before allocation of that loss to the other Limited Partners.

**Section 7.3 Survival of Representations and Warranties**

The representations and warranties contained in this Article 7 will remain valid after this Agreement is signed, and each party will be required to ensure that each representation and warranty made by the party under the above provisions remains true so long as the party remains a Partner.

**Section 7.4 Required Sale of Units and Redemptions**

(1) If at any time, any representation or warranty set out in Section 7.2(1)(b), Section 7.2(1)(c) and Section 7.2(1)(d) is no longer correct in respect of any Limited Partner (the "**Affected Partner**"), such Affected Partner will be deemed to have disposed of its Units (the "**Affected Units**") and shall be required to transfer its Affected Units to persons who can make the representations and warranties in Section 7.2(1)(b), Section 7.2(1)(c) and Section 7.2(1)(d). If such Affected Partner fails to transfer his, her or its Affected Units to a person who qualifies to hold Affected Units under the terms of this Agreement within ten (10) days of the giving of notice to such Affected Partner to so transfer such Affected Units (a "**Sell Notice"**), the General Partner shall be entitled to

and is hereby irrevocably appointed the attorney and agent of such Affected Partner with full power of substitution to sell such Affected Units on behalf of such Affected Partner on such terms and conditions as it deems reasonable and may itself purchase such Affected Units or purchase them for cancellation for and on behalf of the Limited Partnership. On any such sale or purchase by or on behalf of the General Partner, the price shall be the fair market value for such Affected Units as determined by the General Partner.

(a) The General Partner may sell such Affected Partner's Affected Units in such manner as the General Partner shall determine at their fair value as determined by the General Partner, whose determination will be final and binding and not subject to review or appeal.

(b) The General Partner, by Sell Notice to such Affected Partner, may require the Affected Partner to sell to a person who complies with Section 7.2(1)(b), Section 7.2(1)(c) and Section 7.2(1)(d), the Affected Partner's entire interest in all Units held by the Affected Partner which are held in contravention of Section 7.2(1)(b), Section 7.2(1)(c) or Section 7.2(1)(d) within the period prescribed in the Sell Notice.

(c) Any Sell Notice shall be given by prepaid mail or delivered directly to the Affected Partner and shall specify a date, which shall be not less than ten (10) days later, by which the Affected Units must be sold to a person who complies with Section 7.2(1)(b), Section 7.2(1)(c) and Section 7.2(1)(d). The Sell Notice shall also require the Affected Partner to notify the General Partner of the sale or disposition requested when completed. In the event that the Affected Units have not been sold by the Affected Partner on or prior to the date stipulated in the Sell Notice, the General Partner may, subject to compliance with applicable securities laws, elect to sell the Affected Units on behalf of the Affected Partner without further notice in accordance with the terms hereof. The General Partner may sell Affected Units in such manner as the General Partner shall determine at a price per unit at fair value as determined by the General Partner, whose determination will be final and binding and not subject to review or appeal. For the purposes of such sale, the General Partner shall be deemed to be, and is hereby irrevocably appointed, the agent and lawful attorney of the Affected Partner.

(2) The General Partner shall, as soon as reasonably practical, and in any event not later than 30 days after the sale or redemption of the Affected Units under this Section 7.4 send a notice to the Affected Partner stating that the Affected Units have been sold or redeemed, as the case may be, the amount of the net proceeds to which the Affected Partner is entitled, the name and address of the bank or trust company at which the Limited Partnership has made a deposit of such net proceeds (which account may also contain funds of the Limited Partnership) and all other relevant particulars of the sale or redemption. The net proceeds shall be payable to the Affected Partner upon presentation of evidence acceptable to the General Partner of such person's interest in the Affected Units sold or redeemed.

(3) The General Partner shall have the sole right and authority to make any determination required or contemplated under this Section 7.4 and any such determination shall be conclusive, final and binding except to the extent modified by any subsequent determination by the General Partner.

(4) Notwithstanding Section 7.4(1), the Units may be redeemed by the Limited Partnership without notice on any date fixed by the General Partner if the redemption is considered necessary by the General Partner, including to ensure that the Limited Partnership complies with the Limited Partnerships Act and other applicable legislation, or stock exchange or regulatory requirements applicable to the Limited Partnership. Such redemption shall occur at a price per unit equal to the fair value of such Units as determined by the General Partner.

(5) Upon such sale or redemption the rights of such Affected Partner shall be limited to receiving the net proceeds of sale or redemption of such Affected Partner's Affected Units.

(6) Subject to applicable law and any applicable regulatory requirements, the Limited Partnership will have the right, but not the obligation, exercisable in its sole discretion, to purchase for cancellation outstanding Units in the market from time to time.

## ARTICLE 8 – PARTNER MATTERS

### Section 8.1 Compliance with Applicable Laws

Each Limited Partner will, on the request of the General Partner, immediately sign any documents that the General Partner believes are necessary to comply with any applicable law or regulation of any jurisdiction in Canada or of any applicable stock exchange, for the continuation, operation or good standing of the Limited Partnership.

### Section 8.2 Removal or Resignation of General Partner

(1) T1 General Partner LP will continue as the General Partner of the Limited Partnership until termination of the Limited Partnership unless it is removed or resigns in accordance with this Agreement.

(2) It is a condition precedent to the resignation or removal of the General Partner that the Limited Partnership shall pay all amounts payable by the Limited Partnership to the General Partner pursuant to Article 3 of this Agreement accrued to the date of resignation or removal.

(3) Upon the resignation, replacement or removal of a general partner, the general partner ceasing to so act is required to transfer title of any assets of the Limited Partnership in its name (or, if itself a limited partnership, in the name of its general partner if so registered) to the new general partner.

### Section 8.3 Resignation of the General Partner

(1) The General Partner may resign voluntarily upon giving at least 90 days' written notice to the Limited Partners, provided the General Partner nominates a qualified successor whose admission to the Limited Partnership as a general partner is to be ratified by the Limited Partners by Extraordinary Resolution within such period. Such resignation will be effective upon the earlier of:

(a) 90 days after such notice is given, if a meeting of Limited Partners is called to ratify the admission to the Limited Partnership as a general partner of a qualified successor; and

(b) the day such admission is ratified by the Limited Partners by Extraordinary Resolution.

(2) Upon the dissolution, liquidation, bankruptcy, insolvency or winding-up or the making of any assignment for the benefit of creditors of the General Partner or the appointment of a trustee, receiver, receiver and manager or liquidator of the General Partner, or following any event permitting a trustee or receiver or receiver and manager to administer the affairs of the General Partner, provided that the trustee, receiver, receiver and manager or liquidator performs its functions for 60 consecutive days, the General Partner shall be deemed to have resigned as such and a new General Partner shall be appointed by the Limited Partners by Extraordinary Resolution within 90 days' notice of such event, provided that the General Partner deemed to have resigned shall not cease to be the general partner of the Limited Partnership until the earlier of the appointment of a new General Partner or the expiry of the 90 day period.

(3) Any new General Partner will not be a "non-resident" for the purpose of the Tax Act or a "non-Canadian" as that expression is defined in the *Investment Canada Act* (Canada) and shall assume all managerial duties, powers and obligations imposed upon or granted to the General Partner, must agree in writing to be bound by the provisions of this Agreement, the agreements referred to in Section 6.3(2)(a)(iii), and all other instruments and agreements entered into by the General Partner pursuant to this Agreement, and in such writing must repeat the representations, warranties and covenants set out in Section 7.1.

(4) The General Partner that has been removed or has resigned will do all things and take all steps necessary to effectively transfer the administration, management, control and operation of the business of the Partnership and the assets of the Limited Partnership standing in its name to the successor General Partner and will execute and deliver all deeds, certificates, declarations and other documents necessary or desirable to effect such transfer in a timely fashion. The remuneration of any successor General Partner shall be determined by Special Resolution of the Limited Partners.

(5) In the event of the removal or resignation of the General Partner, the Limited Partnership and the Limited Partners shall release and hold harmless the former General Partner from all actions, claims, costs, demands, losses, damages and expenses with respect to events that occur in relation to the Limited Partnership after the effective date of removal or resignation of the former General Partner, except to the extent that any such action, claim, cost, demand, loss, damage or expense arose out of any fault of the former General Partner prior to such effective date.

(6) The Limited Partnership will not be terminated by reason of the removal, replacement or resignation of the General Partner provided a new general partner is admitted to the Limited Partnership and is appointed as the General Partner.

**Section 8.4 Removal of the General Partner**

(1) The General Partner may be removed at any time if:

(a) the General Partner has committed fraud, or wilful misconduct in the performance of, or willful disregard or breach of, any material obligation or duty of the General Partner under this Agreement,

(b) its removal as the General Partner has been approved by the Limited Partners by Extraordinary Resolution, and

(c) with or without cause, if Limited Partners holding at least 20% of the outstanding Units provide a notice to the General Partner requisitioning a meeting for the purpose of holding a vote to remove the General Partner and specifying a replacement general partner, and Limited Partners holding at least two-thirds of the Units represented at such meeting vote in favour of such removal, provided that a qualified successor has been admitted to the Limited Partnership as the general partner and has been appointed as the general partner of the Limited Partnership by Extraordinary Resolution.

(2) The removal of the General Partner under Section 8.4(1) is effective upon the Limited Partners, by an Extraordinary Resolution, appointing a replacement General Partner.

(3) Upon the removal of the General Partner under this Section 8.4, the General Partner will repay to the Limited Partnership the amount of any distributions made to the General Partner by the Limited Partnership which exceed the aggregate amount of income of the Limited Partnership previously allocated to the General Partner.

(4) Upon the removal of the General Partner, all of the remaining Partners of the Limited Partnership are deemed to have consented to the continuation of the Limited Partnership and the appointment of a successor General Partner selected by the Limited Partners by an Extraordinary Resolution.

(5) Notwithstanding the foregoing, the General Partner shall not be removed in respect of a breach that may be cured of a breach under this Agreement unless it has received written notice thereof from a Limited Partner and has failed to remedy such a breach within 20 Business Days of receipt of such notice.

**Section 8.5 Amendment of Certificate or Record**

The General Partner shall, from time to time, in accordance with this Agreement effect filings, recordings, registrations and amendments to such documents and at such places as are necessary or advisable to reflect changes in the membership of the Limited Partnership, transfers of Units as herein provided and to constitute a transferee as a Limited Partner.

**Section 8.6 Non-Recognition of Trusts or Beneficial Interests**

Except as specifically provided for in this Agreement, Units may be held by nominees on behalf of the beneficial owners thereof. Notwithstanding the foregoing, except as required by law, no Person will be recognized by the Limited Partnership or any Limited Partner as holding any Unit in trust, and the Limited Partnership and Limited Partners will not be bound or compelled in any way to recognize (even when having actual notice) any equitable, contingent, future or partial interest in any Unit or in any fractional part of an Unit or any other rights in

respect of any Unit except an absolute right to the entirety of the Unit in the Limited Partnership shown on the Record as holder of such Unit.

**Section 8.7 Incapacity, Death, Insolvency or Bankruptcy**

Where a Person becomes entitled to Units on the incapacity, death, insolvency or bankruptcy of a Limited Partner, or otherwise by operation of law, in addition to the requirements of this Agreement such entitlement will not be recognized or entered into the Record until such Person:

(a) has produced evidence satisfactory to the General Partner of such entitlement;

(b) has agreed in writing to be bound by the terms of this Agreement and to assume the obligations of a Limited Partner under this Agreement; and

(c) has delivered such other evidence, approvals and consents in respect to such entitlement as the General Partner may require and as may be required by law or by this Agreement.

## ARTICLE 9 – ACCOUNTING AND TAX MATTERS

**Section 9.1 Determination of Net Income or Net Loss**

The Net Income or Net Loss of the Limited Partnership for each Fiscal Year will be determined by the General Partner in accordance with IFRS. The General Partner may, in computing the income or loss of the Limited Partnership for tax purposes, adopt a different method of accounting than required by this Section 9.1, adopt different treatments of particular items and make and revoke such elections on behalf of the Limited Partnership as the General Partner deems to be in the best interests of the Partners.

**Section 9.2 Allocation of Income or Loss**

(1) The Net Income of the Limited Partnership for each Fiscal Year will be allocated as of the end of such Fiscal Year among the Partners at that time as follows:

(a) the greater of: (i) 0.001% of the Net Income of the Limited Partnership and (ii) the lesser of: (A) the Net Income of the Limited Partnership for the Fiscal Year and (B) an amount equal to the aggregate amounts paid to the General Partner in the fiscal year in respect of (I) a Priority Profit Allocation and (II) the amounts allocable in respect of a Performance Allocation for the Fiscal Year, will be allocated to the General Partner; and

(b) the remainder of the Net Income of the Limited Partnership, if any, will be allocated to the Limited Partners on a *pro rata* basis among the Limited Partners who are shown as such on the record of Limited Partners maintained by the General Partner on the last day of such Fiscal Year.

(2) For each Fiscal Year of the Limited Partnership, 99.999% of the Net Loss of the Limited Partnership will be allocated *pro rata* among the Limited Partners who are shown as such on the record of Limited Partners maintained by the General Partner on the last day of such fiscal year, and 0.001% of the Net Loss of the Limited Partnership will be allocated to the General Partner.

(3) Any determination made by the General Partner as to the allocation of Net Income and Net Losses of the Limited Partnership is final and binding on the Limited Partners.

(4) The income or loss of the Limited Partnership for tax purposes for a Fiscal Year will be allocated to the Partners in the same proportions as the Net Income or Net Loss is allocated to the Partners pursuant to Section 9.2(1) and Section 9.2(2).

**Section 9.3 Withholding Taxes**

(1) The General Partner, on behalf of the Limited Partnership, may withhold from payments with respect to any Limited Partner amounts required to discharge any obligation of the Limited Partnership or the General Partner to withhold amounts or make payments to any governmental authority with respect to any federal, provincial, state, local or other jurisdictional tax liability of such Limited Partner arising in respect of such Limited Partner's interest in the Limited Partnership. Any amount so withheld is deemed to have been distributed to the Limited Partner for purposes of this Agreement. To the extent that any amount distributed (including any amount deemed to be distributed) to a Limited Partner is in excess of that to which such Limited Partner is entitled, the Limited Partner will repay the amount of such excess either by paying such amount to the Limited Partnership or by means of deductions from future distributions by the Limited Partnership.

(2) To the extent practicable, before withholding and paying over to any governmental authority any amount purportedly representing a tax liability of any Limited Partner pursuant to the provisions of Section 9.3(1), the General Partner will provide such Limited Partner with notice of the claim of any governmental authority that such withholding and payment is required by law and provide any applicable Limited Partner the opportunity to contest such claim (to the extent permitted by applicable law) provided that, during any such period such contest does not subject the Limited Partnership or the General Partner to any potential liability to such governmental authority for any such claimed withholding or any other amount, as determined in the sole judgement of the General Partner.

(3) If any amount is withheld from an amount otherwise payable to the Limited Partnership in order to satisfy any federal, provincial, state, local or other jurisdictional tax liability, the amount so withheld is deemed to have been distributed to the Limited Partners and apportioned among them in accordance with Section 3.1, except that in the case of any amount withheld or deducted other than on a *pro rata* basis as between the Limited Partners (for example, having regard to particular individual tax status), the amount so distributed is, notwithstanding Section 3.1, deemed to be apportioned among the Limited Partners having regard to the respective amounts withheld on account of each Limited Partner.

(4) The General Partner agrees that it will make (or cause the Limited Partnership to make) any filings, applications or elections to obtain any available exemption from, or any available refund of, any withholding or similar taxes imposed by any governmental authority with respect to amounts distributable or items of income allocable to any Limited Partner under this Agreement. Each of the Limited Partners agrees that it will co-operate with the Limited Partnership in making any such filings, applications or elections to the extent the General Partner reasonably determines that such co-operation is necessary or desirable. If any Limited Partner must make any such filings, applications or elections directly, the General Partner, at that Limited Partner's request, will (or will cause the Limited Partnership to) provide such information and take such other action as may reasonably be necessary to complete or make such filings, applications or elections.

## ARTICLE 10 – ACCOUNTS AND REPORTING

**Section 10.1 Accounts**

(1) The General Partner will keep and maintain full, complete and accurate books of account and records of the Limited Partnership with respect to the Limited Partnership's business and financial affairs at the principal place of business of the General Partner or as such other place as determined by the General Partner.

(2) The General Partner will establish two separate capital accounts on the books of the Limited Partnership, being one for the General Partner and one for the Limited Partners, to which contributions to the capital of the Limited Partnership will be credited and amounts distributed as a return of capital will be debited.

(3) The General Partner will establish two separate current accounts on the books of the Limited Partnership, being one for the General Partner and one for the Limited Partners, to which net income is to be credited and net loss and amounts distributed other than as a return of capital will be debited.

**Section 10.2 Annual Report and Income Tax Information**

(1) The General Partner will:

(a) file and deliver, if required, within the prescribed period of time to each Limited Partner, as applicable, such financial statements prepared in accordance with IFRS (including interim unaudited and annual audited financial statements) and other reports as are from time to time required by applicable law; and

(b) deliver, or cause to be delivered, to each Limited Partner at the end of each Fiscal Period by March 31 of the subsequent Fiscal Period such information as is necessary to enable such Limited Partner to file returns under the Tax Act and under the income tax laws of the province in which the Limited Partner resides and with respect to the income of the Limited Partner from, and expenses and deductions derived from the participation of the Limited Partner in, the Limited Partnership in such Fiscal Period.

(2) The General Partner will ensure that the Partnership complies with all other reporting and administrative requirements under applicable securities or partnership law.

(3) Neither the General Partner nor the Limited Partnership will have any responsibility to prepare or file income tax returns for any Limited Partner.

(4) The General Partner will file or cause to be filed, on behalf of itself and the Limited Partners, annual information returns and any other information required to be filed under the Tax Act in respect of Fund matters.

(5) The annual financial statements of the Limited Partnership shall be audited by the Limited Partnership's auditors in accordance with IFRS. The auditors will be asked to report on the fair presentation of the annual financial statements in accordance with IFRS. The General Partner, on behalf of the Limited Partnership, may seek exceptions from certain continuous disclosure obligations under applicable securities laws.

(6) The General Partner will ensure that the Limited Partnership will comply with all other reporting and administrative requirements.

**Section 10.3 Accounting Policies**

The General Partner is authorized to establish from time to time accounting policies with respect to the financial statements of the Limited Partnership and to change from time to time any policy that has been so established so long as such policies are consistent with IFRS.

**Section 10.4 Appointment of Auditor**

The General Partner, in its sole and unfettered discretion, will appoint auditors for the Limited Partnership, and the auditors must be chartered accountants licensed to practice accounting in Canada.

**Section 10.5 Electronic Delivery**

Any reports or other information and documentation to be sent to a Limited Partner under this Article 10 may be in electronic form and may be sent by electronic means as permitted by applicable law.

**Section 10.6 Record of Limited Partners**

(1) The General Partner will maintain a record of Limited Partners, as required by the Limited Partnerships Act, which contains, among other things, the names and addresses of all the Limited Partners and the number of Units held by each of them. No change of name or address of a Limited Partner, no transfer of a Unit of a Limited Partner and no admission of a Limited Partner in the Limited Partnership will be effective for purposes of this Agreement unless all reasonable requirements (including filing and recording required by the Limited Partnerships Act and this Agreement) as determined by the General Partner with respect thereto have been met. No name or

address of a Limited Partner can be changed and no transfer, substitution or addition of a Unit of a Limited Partner can be recorded except pursuant to a notice in writing received by the General Partner.

(2) It will be the duty of the General Partner to maintain the Record, unless such duty is delegated by the General Partner to the Transfer Agent.

**Section 10.7 Records and Books of the Limited Partnership**

(1) During the term of the Limited Partnership and for a period of six years thereafter, the General Partner will keep at its principal place of business, proper and complete records and books of account reflecting the assets, liabilities, income and expenditures of the Limited Partnership and copies of those documents and records described in Section 10.7(2) and Section 10.6.

(2) The Record and any other books, records provided for in this Section 10.7(2) will be available for inspection and audit by any Limited Partner or its duly authorized representative during normal business hours at the office of the General Partner and, upon request either in person or by mail, the General Partner will furnish a copy of such records to any Limited Partner or his or her duly authorized representative for the cost of reproduction and mailing. However, a Limited Partner will not have access to any information of the Limited Partnership that, in the sole opinion of the General Partner, reasonably held, should be kept confidential in the interests of the Limited Partnership, and each Limited Partner hereby waives any right, statutory or otherwise, to greater access to the books, records and registers of the Partnership than is permitted herein.

## ARTICLE 11 – INDEMNIFICATION

**Section 11.1 Indemnification of Limited Partners**

The General Partner has agreed to indemnify and hold harmless each Limited Partner from any and all losses, liabilities, expenses and damages suffered by such Limited Partner where the liability of such Limited Partner is not limited, provided that such loss of limited liability was caused by an act or omission of the General Partner or by the gross negligence or wilful misconduct in the performance of, or wilful disregard or breach of, the obligations or duties of the General Partner under this Agreement. Such indemnity will only apply with respect to losses in excess of the capital contribution of the Limited Partner. The General Partner has also agreed to indemnify and hold harmless the Limited Partnership from and against any costs, damages, liabilities, expenses, or losses suffered or incurred by the Limited Partnership resulting from or arising out of gross negligence or wilful misconduct in the performance of, or wilful disregard or breach of, the obligations or duties of the General Partner under this Agreement.

**Section 11.2 Indemnification of General Partner and Related Parties**

(1) To the maximum extent permitted by applicable law, the Limited Partnership will indemnify and save harmless the General Partner and the officers, directors, employees, agents and shareholders of the general partner of the General Partner and each other member of the T1 Group (in each case, an "**Indemnitee**") against any Losses (except for losses in respect of Taxes or with respect to any liabilities or losses arising from or related to the allocation of amounts to the General Partner as set out in this Agreement) arising directly or indirectly from any Claims threatened or commenced against such Indemnitee for or in respect of anything done or permitted to be done or omitted to be done in the execution of the duties and powers of that Indemnitee in accordance with this Agreement, except to the extent any such Claim arises as a result of the Indemnitee's gross negligence, breach of applicable law, bad faith, wilful misconduct, breach of standard of care, material breach of this Agreement, fraud or criminal conduct.

(2) The Limited Partnership may pay the expenses incurred by an Indemnitee in connection with any Losses (except for losses in respect of Taxes or with respect to any liabilities or losses arising from or related to the allocation of amounts to the General Partner as set out in this Agreement) arising from Claims in advance of the final disposition of such Claim, upon receipt of an undertaking by such Indemnitee to repay such amount if the Indemnitee is determined not to be entitled to indemnification for such amount.

(3) Except as otherwise provided by applicable law, no Indemnitee is liable to the Limited Partnership or any Partner for any loss suffered by the Limited Partnership or any Partner that arises out of any investment or any other action or omission of the Indemnitee if:

(a) such Indemnitee acted in good faith and reasonably believed that such course of conduct was in, or not opposed to, the best interest of the Limited Partnership; and

(b) such conduct did not constitute a breach of such Indemnitee's standard of care, gross negligence, wilful misconduct, breach of applicable law, material breach of this Agreement, criminal conduct or fraud.

**Section 11.3 Indemnification of Directors and Officers of BEST Discoveries and the Manager**

(1) The Manager and its past or current affiliates, subsidiaries and agents, and their respective past or current directors, officers and employees and any other person, including past or current directors, officers and employees of BEST Discoveries shall be indemnified and saved harmless by the Limited Partnership from and against all legal fees, judgments and amounts paid in settlement, actually and reasonably incurred by it in connection with, or in respect or as a consequence of, its services provided, either currently or in the past, to or in respect of BEST Discoveries, provided that the Limited Partnership has reasonable grounds to believe that the action or inaction that caused the payment of the fees, judgments and amounts paid in settlement was in the best interest of the Limited Partnership or BEST Discoveries and provided that such person or companies shall not be indemnified by the Limited Partnership where:

(a) there has been gross negligence, wilful misconduct or bad faith on the part of the Manager or such other person; or

(b) the Manager or such other person has failed to fulfil its standard of care as set forth in the amended and restated management agreement dated January 22, 2008 between the Fund and the Manager, as amended, or other relevant agreement related to the Fund, as applicable;

unless in an action brought against such persons or companies they have achieved complete or substantial success as a defendant.

(2) In order for the Limited Partnership, acting through the General Partner, to satisfy itself as to whether indemnification is in the best interest of the Limited Partnership or required hereunder, before paying out any such indemnity hereunder, the Limited Partnership acting through the General Partner, may obtain a satisfactory legal opinion that the Limited Partnership has reasonable grounds to believe that the indemnification is in the best interest of the Limited Partnership or required hereunder, and instead of or in addition to obtaining such a legal opinion, the General Partner in its sole discretion and at the expense of the Limited Partnership, may call a meeting of the Partners pursuant to this Agreement to direct the General Partner as to any such payments out of the Limited Partnership.

(3) None of the provisions contained in this Agreement shall require the General Partner to expend or risk its own funds or otherwise to incur financial liability in the performance of its duties or in the exercise of any of its rights unless indemnified. No property of the General Partner, owned in its personal capacity will be subject to levies, execution or other enforcement procedures with regard to any of its obligations hereunder.

## ARTICLE 12 – UNIT CERTIFICATES

**Section 12.1 Registrar and Transfer Agent**

The General Partner may appoint a trust company or other qualified corporation to be the registrar and transfer agent for the Units upon such terms and conditions and at such remuneration as the General Partner considers appropriate. The General Partner may from time to time terminate the engagement of a particular Transfer Agent and engage another. If no such Transfer Agent is appointed, the General Partner shall act as registrar and transfer agent of the Units.

**Section 12.2 Office of Registrar and Transfer Agent**

The Transfer Agent will be considered in its capacity as registrar as having an office only at such location as is, and as transfer agent as having offices only at that location and such other locations as are, approved by the General Partner from time to time and will not be required to transact any business concerning the registration or transfer of Units at any other office.

**Section 12.3 Regulations Concerning Record**

The General Partner may make such reasonable rules and regulations as it from time to time considers necessary or desirable in connection with the services to be performed by the Registrar, or in respect of the Record, including the form and content of the Record, establishment of record dates for the giving of notice and for the payment of distributions, except as otherwise provided, the documentation required to record an assignment of a Unit, and other matters.

**Section 12.4 Book Based System**

Registrations of interests in the Units will be made through the book-based system administered by CDS. A certificate representing those Units in the system will be issued in registered form only to CDS or its nominee and will be deposited with CDS on each issuance of Units (including on the Effective Date). A subscriber who purchases Units will receive only a customer confirmation from the registered dealer or broker from or through whom he or she has purchased Units and who is a CDS Participant. CDS will record the CDS participants who hold Units on behalf of owners who have purchased Units in accordance with the book-based system. Those Units in the system may be purchased and transferred through a CDS Participant and all rights of such holders of Units are required to be exercised through, and all payments or other property to which such holders are entitled are made or delivered by, CDS or the CDS Participant through which the holders hold such Units.

CDS Participants include securities brokers and dealers, banks and trust companies. Each Limited Partner acknowledges hereby and agrees that CDS is acting as his or her nominee for this purpose and acknowledges and consents to these arrangements. If CDS notifies the Limited Partnership that it is unwilling or unable to continue as depository in connection with such certificate, or if at any time CDS ceases to be a clearing agency or otherwise ceases to be eligible to be a depositary, the General Partner will make appropriate arrangements to replace the book-based system in an orderly fashion and to issue Unit certificates to the Limited Partners. Certificates for Units may be issued in extraordinary circumstances to Limited Partners in the sole discretion of the General Partner.

All distributions will be made by the Limited Partnership to CDS in respect of Units represented by the Unit certificate held by CDS. Any such distributions will be forwarded by CDS to the applicable CDS Participants and, thereafter, by such CDS Participants to the Limited Partners whose Units are represented by the certificate.

It is acknowledged and agreed by each of the Limited Partners that there may be time delays in the recording of information by CDS in the Book-Based System and the recording of information in the Record. However, the General Partner will endeavour to ensure that, as at the last day of December for each year that the Limited Partnership is in existence, the Record is accurate and complete and the Record reflects the register by CDS Participants, to the extent applicable.

**Section 12.5 Certificate Signed**

Every certificate must be signed by the General Partner and by the Transfer Agent, if any, of the Units and the validity of a Certificate will not be affected by the circumstance that a person whose signature is so reproduced is deceased or no longer holds the office which he held when the reproduction of his signature in that office was authorized. The signature of any officer or director of the General Partner may be mechanically reproduced in facsimile and Certificates bearing such facsimile signature shall be binding upon the Limited Partnership as if the Certificate had been manually signed by such director or officer; provided, however, that all Certificates shall bear at least one manual signature of one authorized signing officer of the registrar and the transfer agent.

**Section 12.6 No Liability for Loss**

A Certificate may be sent through the mail by registered or first class prepaid mail or delivered to the order of the Limited Partner and neither the General Partner, the Limited Partnership nor the Transfer Agent will be liable for any loss by a Limited Partner that results from the loss of a Certificate by reason that it is so sent.

**Section 12.7 Lost, Mutilated, Destroyed Certificate**

If any certificate is lost, mutilated, stolen or destroyed, the General Partner shall issue, or cause the Transfer Agent to issue, a replacement Certificate to the Limited Partner upon receipt of evidence satisfactory to the General Partner of such loss, mutilation, theft or destruction, and upon receiving such indemnification as it deems appropriate in the circumstances.

**Section 12.8 Joint Holders**

No Unit may be subscribed for by, beneficially owned by or registered in the name of more than one person except as required to permit registration in the names of joint holders, the personal representatives of the estate of a deceased person or the trustees of any testamentary trust or inter vivos settlement.

**Section 12.9 Certificate Null and Void on Dissolution**

Upon the dissolution of the Limited Partnership and distribution to a Limited Partner of the assets to which such Limited Partner is entitled hereunder, any Certificate for Units issued to such Limited Partner shall become null and void.

**ARTICLE 13 – PARTNERSHIP MEETINGS**

**Section 13.1 Calling of Meeting**

The Limited Partnership shall not be required to hold annual general meetings; however, the General Partner may at any time convene a meeting of the Partners of the Limited Partnership and will be required to convene a meeting on receipt of a request in writing of Limited Partners representing 20% or more of the Units outstanding stating the purpose for which the meeting is to be held. If the General Partner fails or neglects to call such a meeting within 30 days after receipt of the written request, any Limited Partner who was a party to the request may call the meeting, and if more than one such Limited Partner purports to call the meeting, the notice given in accordance with this Agreement which calls for the meeting for the earliest time will govern and the other notices will be considered invalid. Meetings of Limited Partners are to be held in Ontario.

**Section 13.2 Notice of Meeting**

Notice of any Partners' meeting must be given to each Limited Partner and to the General Partner. The notice must be mailed by prepaid post at least 21 and not more than 60 days before the meeting and must specify the time and place of the meeting and, in reasonable detail, the nature of all business to be transacted. Notice for adjourned meetings must be mailed not less than 10 days in advance and otherwise in accordance with the provisions of notice in this Article 13, except that it need not specify the nature of the business to be transacted. Accidental failure to give notice to any Partner will not invalidate a meeting or proceeding at the meeting.

**Section 13.3 Chairman**

The General Partner will choose the Chair of all meetings, unless those Limited Partners present in person or represented by proxy at the meeting choose, by Ordinary Resolution, some other person present to be Chair. If the rules and procedures for the conduct of a meeting of the Partners are not prescribed in this Agreement, the rules and procedures may be determined by the Chair of the meeting.

**Section 13.4 Quorum**

A quorum for a meeting of Limited Partners will consist of at least two (2) Limited Partners present in person or represented by proxy and holding at least 10% of the Units outstanding, except for purposes of passing an Extraordinary Resolution to remove the General Partner under Section 8.4, in which case one or more Limited Partners present in person and holding or representing by proxy at least 20% of the Units outstanding and entitled to vote will constitute a quorum. If a quorum is not present for a meeting of Partners within 30 minutes after the time fixed for holding the meeting, the meeting, if convened pursuant to a written request of Limited Partners, will be cancelled, but otherwise will be adjourned to a date not less than ten (10) days after the original meeting date. At such adjourned meeting those Limited Partners present in person or by proxy will constitute a quorum.

**Section 13.5 Voting of Units**

(1) At a meeting of Partners, each Limited Partner shall be entitled to one (1) vote for each Unit held on matters on which the Limited Partner is entitled to vote. When a Unit is held by more than one holder the holders will collectively be entitled to one (1) vote for such Unit. The General Partner shall be entitled to one (1) vote in its capacity as General Partner, except in respect of the removal of the General Partner. The Chair will not have a casting vote. Every question submitted to a meeting will be decided by a show of hands unless a poll is demanded by a Partner or the Chairman before the question is put or after the results of the show of hands has been announced and before the meeting proceeds to the next item of business, in which case a poll will be taken. The General Partner in respect of Units held by it, if any, insiders of the Limited Partnership, as such expression is defined in the *Securities Act* (Ontario), and Affiliates of the General Partner and any director or officer of those persons, if any, who hold Units will not be entitled to vote on any Extraordinary Resolution to remove the General Partner in accordance with Section 8.4.

(2) At any meeting of the Partners, upon any matter:

(a) for which no poll is requested, a declaration made by the Chair of the meeting as to the voting on any particular resolution will be conclusive evidence of the voting; or

(b) for which a poll is requested, the result of the poll will be deemed to be the decision of the meeting on the question or resolution in respect of which the poll was taken.

**Section 13.6 Voting by Proxy**

At any meeting of Partners, any Limited Partner entitled to vote may vote by proxy in a form acceptable to the General Partner, if the General Partner or its agent received the proxy for verification before the meeting.

**Section 13.7 Validity of Proxy Vote**

A proxy purporting to be executed by or on behalf of a Partner will be presumed valid unless challenged at the time of or before its exercise, and the person challenging any such proxy will have the burden of proving to the satisfaction of the chairman of the meeting at which the proxy is proposed to be used that the proxy is invalid, and any decision of the chairman of the meeting in respect of the validity of the proxy will be final.

**Section 13.8 Representatives**

A Partner that is a corporation may appoint an officer, director or other authorized individual as its representative to attend, vote and act on its behalf at meetings of Partners, and may by a similar instrument revoke that appointment. For all purposes of meetings of Partners, other than the giving of notice, an individual appointed as a corporation's representative will be deemed to be the holder of every Unit held by the corporation he represents.

**Section 13.9 Ordinary Resolutions**

Unless a greater majority is required by the laws applicable to the Limited Partnership or this Agreement, the approval of the Limited Partners is deemed to be given if expressed by a resolution passed by a majority of the

votes cast at a meeting of Limited Partners (an "**Ordinary Resolution**") or each class of Limited Partners, as the case may be, called to consider such resolutions.

**Section 13.10 Extraordinary Resolutions**

(1) In addition to all other powers conferred on them by this Agreement, but subject to Article 16, the Limited Partners may by an Extraordinary Resolution:

(a) waive any default on the part of the General Partner on terms that they may determine and release the General Partner from any claims in respect of its default;

(b) change the investment objective of the Limited Partnership as described in Section 1.3;

(c) subject to Section 16.2, approve any amendment to this Agreement;

(d) approve the sale of all or substantially all of the assets of the Limited Partnership; and

(e) require the General Partner on behalf of the Limited Partnership to enforce any obligation or agreement on the part of any Limited Partner.

**Section 13.11 Minutes**

The General Partner will record minutes and proceedings of every meeting of the Partners. Minutes, when signed by the Chair of the meeting, will be prima facie evidence of the matters stated in the minutes. Until the contrary is proved, every meeting in respect of which minutes have been made will be taken to have been duly held and convened, and all proceedings referred to in the minutes will be deemed to have been duly passed or not to have been passed, as the case may be.

**Section 13.12 Binding Nature of Resolutions**

Any Extraordinary Resolution or Ordinary Resolution will be binding on all Partners and their respective heirs, executors, administrators or other legal representatives, successors and assigns, whether or not the Partner was present or represented by proxy at the meeting at which the resolution was passed and whether or not the Partner voted against the resolution.

## ARTICLE 14 – TAKE-OVER BID

**Section 14.1 Take-Over Bid**

(1) If, within 120 days after a Take-Over Bid, the Take-Over Bid is accepted by the holders of not less than 90% of the Units, other than Units held at the date of the Take-Over Bid by or on behalf of the Offeror or an Affiliate or Associate (as such term is defined in the *Canada Business Corporations Act*) of the Offeror, the Offeror is entitled, on complying with this Section 14.1, to acquire the Units held by the Non-Tendering Offerees.

(2) An Offeror may acquire Units held by a Non-Tendering Offeree by sending by registered mail within 60 days after the date of termination of the Take-Over Bid and in any event within 180 days after the date of the Take-Over Bid, an Offeror's notice to each Non-Tendering Offeree stating that:

(a) the Offerees holding not less than 90% of the Units to which the Take-Over Bid relates accepted the Take-Over Bid;

(b) the Offeror is bound to take up and pay for or has taken up and paid for the Units of the Offerees who accepted the Take-Over Bid;

(c) a Non-Tendering Offeree is required to transfer his Units to the Offeror on the terms on which the Offeror acquired the Units of the Offerees who accepted the Take-Over Bid; and

(d) a Non-Tendering Offeree who does not transfer his Units in accordance with Section 14.1(2)(c) within 20 days after he receives the Offeror's notice is deemed to have elected to transfer, and to have transferred, his Units to the Offeror on the same terms that the Offeror acquired the Units from the Offerees who accepted the Take-Over Bid.

(3) Concurrently with sending the Offeror's notice under Section 14.1(2), the Offeror shall send to the General Partner a notice of adverse claim disclosing the name and address of the Offeror and the name of the Non-Tendering Offeree with respect to each Unit held by a Non-Tendering Offeree.

(4) A Non-Tendering Offeree to whom an Offeror's notice is sent under Section 14.1(2) shall, within twenty (20) days after he receives that notice, send his Units and all Certificates representing his Units or cause his Units to be sent to the General Partner.

(5) Within twenty (20) days after the Offeror sends an Offeror's notice under Section 14.1(2), the Offeror shall pay or transfer to the General Partner the amount of money or other consideration that the Offeror would have had to pay or transfer to a Non-Tendering Offeree if the Non-Tendering Offeree had tendered under the Take-Over Bid.

(6) The General Partner is deemed to hold on behalf of the Non-Tendering Offeree the money or other consideration it receives under Section 14.1(5), and the General Partner shall deposit the money in a separate account in a bank or other depositary of national standing in Canada and shall place the other consideration in the custody of a bank or such other body corporate.

## ARTICLE 15 – POWER OF ATTORNEY

### Section 15.1 Creation of Power of Attorney

(1) Each Limited Partner, and each Person who is a transferee of a Unit, by the execution hereof or of a counterpart hereof by such Limited Partner or an attorney on behalf of such Limited Partner, or by such Limited Partner's conduct in subscribing for Units or otherwise, or by other means, hereby irrevocably nominates, constitutes and appoints the General Partner, both before and after dissolution of the Limited Partnership, with full power of substitution, as his or her true and lawful attorney and agent, with full power and authority in his or her name, place and stead to execute, under seal or otherwise, swear to, acknowledge, deliver, make, record and file when, as and where required or appropriate, any and all of the following:

(a) this Agreement and any amendments, restatements and counterparts hereof, and all documents and instruments necessary or appropriate to form, qualify or continue the qualification of the Limited Partnership as a valid and subsisting limited partnership in any jurisdiction where the Limited Partnership may carry on business or own or lease property in order to establish or maintain the limited liability of the Limited Partners and to comply with the applicable laws of any such jurisdiction;

(b) all documents, instruments and certificates necessary to reflect any amendments to this Agreement which are approved pursuant to Article 16;

(c) all conveyances, agreements, documents and other instruments necessary to facilitate and implement the dissolution and termination of the Limited Partnership including the distribution and partition of assets distributed to Partners on dissolution as well as elections, if such dissolution and termination of the Limited Partnership is authorized pursuant hereto, including the cancellation of any certificate and the distribution of the assets of the Limited Partnership;

(d) all instruments, deeds, agreements or documents executed by the General Partner in carrying on the business of the Limited Partnership as authorized in this Agreement, including those necessary to purchase, sell, or hold the Limited Partnership's assets;

(e) with respect to the sale of a Limited Partner's Units if such Limited Partner becomes a non-resident of Canada for purposes of the Tax Act or an entity an interest in which is a "tax shelter investment" for purposes of the Tax Act;

(f) all applications, elections, determinations or designations under the Tax Act or taxation legislation of any province or territory with respect to the affairs of the Limited Partnership or a Limited Partner's interest in the Limited Partnership, including elections under subsections 85(2) and 98(3) of the Tax Act and the corresponding provisions of applicable provincial legislation in respect of the dissolution of the Limited Partnership;

(g) all documents on its behalf and in the Limited Partner's name as may be necessary to give effect to the sale or assignment of Units or to give effect to the admission of a transferee of Units to the Limited Partnership;

(h) any instrument or document which may be required to effect the continuation of the Limited Partnership, or the admission of an additional or substitute Partner;

(i) any application or further application for orders from relevant securities regulatory authorities exempting the Limited Partnership from any continuous disclosure requirements, from time to time required by applicable law; and

(j) any instrument or document required or appropriate to be filed with any governmental body or respecting the business, property and assets of the Limited Partnership or this Agreement.

(2) By purchasing Units or accepting transfer of a Unit or receiving Units as a result of the Share Exchange Transaction or accepting assignment of the interest of a Limited Partner as the beneficial owner or holder of a Unit, each Limited Partner acknowledges and agrees that he or she has given such power of attorney and will ratify any and all actions taken by the General Partner pursuant to such power of attorney.

**Section 15.2 Irrevocability**

(1) The power of attorney granted in Section 15.1 (the "**Power of Attorney**") hereof will be irrevocable, except as may herein be provided, and are powers coupled with an interest, will survive the death, disability or bankruptcy of the Limited Partner or the assignment by the Limited Partner of all or any part of its interest in the Limited Partnership, extend to and bind the heirs, executors, administrators and other legal representatives and successors and assigns of the Limited Partner, and may be exercised by the General Partner on behalf of the Limited Partner in executing any instrument by listing therein or in a schedule thereto the name of such Limited Partner together with the names of other Limited Partners and executing such instrument with a single signature as attorney and agent for all of them.

(2) The Limited Partner agrees to be bound by any representations or actions made or taken by the General Partner pursuant to this Power of Attorney and hereby waives any and all defences which may be available to contest, negate or disaffirm any action of the General Partner taken in good faith under this Power of Attorney. The Power of Attorney shall continue in respect of the General Partner as long as it is the general partner of the Limited Partnership, and shall terminate thereafter, but shall continue in respect of a substitute general partner as if the substitute general partner were the original attorney.

(3) The Power of Attorney shall continue for so long as the attorney is the general partner of the Limited Partnership, and shall terminate thereafter with respect to that attorney upon substitution therefor of a substitute general partner but shall continue in respect of the substitute general partner.

**Section 15.3 Authority of General Partner to Require a Replacement Power of Attorney**

In the event that the Power of Attorney is executed by an agent acting on behalf of a Limited Partner, such Limited Partner hereby irrevocably acknowledges and confirms that he, she or it has authorized such agent to execute such Power of Attorney on his, her or its behalf. Each such Limited Partner and any Limited Partner that has executed a Power of Attorney that is not satisfactory to the General Partner in its sole and absolute discretion will, if requested by the General Partner, execute a Power of Attorney and deliver to the General Partner a Power of Attorney in form and content satisfactory to the General Partner. Any such request by the General Partner will provide the Limited Partner with a reasonable time within which to execute and return the Power of Attorney being requested. The Partners each acknowledge and agree that such Power of Attorney be executed and returned to the

General Partner within ten Business Days of delivery of the request. The General Partner will have absolute and irrevocable authority to carry out such acts and execute all documents and agreements that it considers necessary or desirable to properly and fully implement such remedies.

**Section 15.4 Agreement of Limited Partners to Ratify Acts**

The Limited Partners each acknowledge and agree that they will at any time, including after the dissolution or termination of, the Limited Partnership, provide the General Partner with such ratification of any acts done by the General Partner pursuant to the Power of Attorney or pursuant to its authority as General Partner under this Agreement, that may be requested or required by the General Partner in its sole and absolute discretion. Such ratification will be in form and content satisfactory to the General Partner.

## ARTICLE 16 – AMENDMENT AND WAIVER

**Section 16.1 Amendments to this Agreement**

(1) The General Partner may, without prior notice to or consent from any Limited Partners, amend this Agreement from time to time if such amendment is in the opinion of the General Partner:

(a) for the protection or benefit of the Limited Partners,

(b) required to cure any manifest error or ambiguity or to correct or supplement any provision in this Agreement that may be defective or inconsistent with another provision,

(c) to add to the duties or obligations of the General Partner or surrender any right granted to the General Partner in this Agreement, to correct any printing, stenographic or clerical errors or omissions,

(d) to correct or supplement any provision in order that this Agreement accurately reflects the intentions of the Partners or to provide for the better administration of the Limited Partnership,

(e) required in order to implement the Share Exchange Transaction;

(f) required for the issuance of new Units of the Limited Partnership of one or more classes; or

(g) required by applicable law.

(2) Notwithstanding Section 16.1(1), such amendments may only be made if they will not, in the opinion of the General Partner, materially adversely affect the rights of the Limited Partners.

(3) This Agreement may be amended by the General Partner, without notice to or the consent of any other Partners, as necessary to reflect the admission, resignation or withdrawal of any Limited Partner, or the assignment by any Limited Partner of the whole or any part of such Limited Partner's interest in the Limited Partnership, under or pursuant to the terms hereof or the Limited Partnerships Act or any other applicable law.

(4) Any such amendment or waiver referred to in this Section 16.1 is binding on all Partners.

**Section 16.2 Prohibited Amendments to this Agreement**

(1) In accordance with Section 13.10(1)(c), the General Partner may, with the consent of the Limited Partners given by Extraordinary Resolution, amend this Agreement provided that no amendment may be made that would have the effect of:

(a) allowing any Limited Partner to participate in the control of the Limited Partnership’s business;

(b) changing provisions concerning the General Partner's costs and expenses (unless the General Partner, in its sole discretion, consents thereto);

(c) reducing the interest in the Limited Partnership of any Limited Partner;

(d) changing the liability of the Limited Partners or the General Partner;

(e) changing the right of a Limited Partner or the General Partner to vote at any meeting;

(f) changing the Limited Partnership from a limited partnership to a general partnership (unless all of the Limited Partners consent thereto); or

(g) denying or reducing any income tax deductions or credits available to Limited Partners but for the amendment.

## ARTICLE 17 – MISCELLANEOUS

### Section 17.1 Withdrawal and Interest

(1) No Partner may withdraw any or all of its contributed capital or receive any distribution from the Limited Partnership, except as expressly provided in this Agreement.

(2) No interest will be paid to any Partner on any amount that it has contributed to the Limited Partnership.

(3) The General Partner may not withdraw from the Limited Partnership or Transfer or encumber the General Partner's interest in the Limited Partnership except in accordance with Section 8.3.

(4) A Limited Partner may withdraw from the Limited Partnership only by the transfer and assignment of its interest in the Limited Partnership of its Units pursuant to Article 4. Any purported transfer of Units not in accordance with this Agreement is void, and the General Partner will refuse to record any such transfer on the Record and the other books and records of the Limited Partnership.

### Section 17.2 Certain Rules of Interpretation

(1) **Governing Law**. This Agreement is governed by and construed in accordance with the laws of the Province of Ontario without regard to its laws regarding conflicts of laws, and the laws of Canada applicable in the Province of Ontario.

(2) **Headings**. Headings of Articles and Sections are inserted for convenience of reference only and do not affect the construction or interpretation of this Agreement.

(3) **Including**. Where the word "including" or "includes" is used in this Agreement, it means "including (or includes) without limitation".

(4) **Entire Agreement.** This Agreement constitutes the entire agreement between the parties and set out all the covenants, promises, warranties, representations, conditions, understandings and agreements between the parties pertaining to the subject matter of this Agreement and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written. There are no covenants, promises, warranties, representations, conditions, understandings or other agreements, oral or written, express, implied or collateral between the parties in connection with the subject matter of this Agreement except as specifically set forth in this Agreement.

### Section 17.3 Notices

(1) Any notice or other written communications given or received under this Agreement shall be deemed to have been validly given or received (a) if delivered by courier or personal delivery or by facsimile or e-mail, on the day on which it was so delivered or transmitted or (b) if mailed, on the fifth Business Day following its sending by

first class mail, in each case to the address or facsimile number of the General Partner and the Limited Partners as set out below:

(a) in the case of the General Partner

15 Toronto Street, Suite 400
Toronto, Ontario
M5C 2E3

(b) if to a Limited Partner, to the address, fax number or e-mail address of the Limited Partner appearing in the Record.

(2) A Limited Partner may, at any time, change its address for the purposes of service by written notice to the General Partner. The General Partner may change its address for the purposes of service by written notice to all the Limited Partners.

(3) In the event of any disruption, strike or interruption in the Canadian postal service after mailing and before receipt or deemed receipt of a document, it will be deemed to have been received on the fifth Business Day following full resumption of the Canadian postal service, unless the notice is re-transmitted by courier or facsimile as contemplated above.

(4) An accidental omission in the giving of, or failure to give, a notice required by this Agreement will not invalidate or affect in any way the legality of any meeting or other proceedings in respect of which such notice was or was intended to be given.

**IN WITNESS WHEREOF** the parties have executed this Agreement.

**T1 GENERAL PARTNER LP by its general partner**
**T1 General Partner Corp.**

By: _____
Name:
Title:

_____
Signature of Witness

_____
**Peter Hubenaar,** as Initial Limited Partner

Schedule A – Definitions

In this Agreement, the following terms have the meanings set out below:

"**Affected Partner**" has the meaning given to it in Section 7.4.

"**Affected Units**" has the meaning given to it in Section 7.4.

**"Affiliate"** means, with respect to an entity, a Person that directly or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the entity.

**"Agreement"** means this limited partnership agreement, as it may be amended, restated, supplemented or otherwise modified from time to time.

**"Associate"** has the meaning given to it in the *Canada Business Corporations Act*.

**"BEST Discoveries"** means The Business, Engineering, Science & Technology Discoveries Fund Inc.

**"BEST Discoveries Subscriber"** has the meaning given to it in Section 2.5(3).

**"BEST Discoveries Subscription"** has the meaning given to it in Section 2.5(3).

**"Business Day"** means a day other than a Saturday, a Sunday or a public holiday on which banks are not open for business in Toronto, Ontario.

**"CDS"** means CDS Clearing and Depository Services Inc.

**"Circular"** means the management proxy circular of BEST Discoveries dated February 24, 2014.

**"Claims"** means any action, suit, cause of action, charges, claim, demand or proceeding and expenses (including reasonable legal fees and disbursements).

**"Class A Shares"** means Class A Shares in the capital of BEST Discoveries.

**"Class L Shares"** means Class L Shares in the capital of BEST Discoveries.

**"Custodian"** means the entity appointed as the custodian of the Limited Partnership's assets, initially CIBC Mellon Trust Company (and certain of its affiliates).

**"Effective Date"** means the effective date of the Share Exchange Transaction.

**"Exchange Units"** has the meaning given to it in Section 2.1.

**"Extraordinary Resolution"** means a resolution passed by 66⅔% or more of the votes cast, either in person or by proxy, at a duly constituted meeting of Limited Partners called for the purpose of considering such resolution, at which a quorum is present or, alternatively, a written resolution signed in one or more counterparts by Limited Partners holding 66⅔% or more of the Units outstanding and entitled to vote on such resolution at a meeting.

**"financial institution"** has the meaning given to it in Section 2.10.

**"Fiscal Year"** has the meaning given to it in Section 1.7.

**"General Partner"** means T1 General Partner LP or any successor or replacement general partner of the Limited Partnership, in each case until such General Partner ceases to be the general partner of the Limited Partnership pursuant to this Agreement.

**"IFRS"** means the International Financial Reporting Standards or any successor principles applicable to the business of the Partnership, as such principles are adopted by the Canadian Institute of Chartered Accountants (or any successor organization) from time to time.

**"Indemnitee"** has the meaning given to it in Section 11.2(1).

**"Initial Limited Partner"** means Mr. Peter Hubenaar.

**"Initial Unit"** has the meaning given to it in Section 2.2(a).

**"Investment Advisor"** means B.E.S.T. Investment Counsel Limited.

**"Investment Advisor Agreement"** means the investment advisory agreement between the General Partner, the Limited Partnership and the Investment Advisor, as such agreement may be amended from time to time, pursuant to which the Investment Advisor will be engaged to among other things, provide oversight and advice to the General Partner in respect of the investment activities of the Limited Partnership.

**"Limited Partners"** means each Person who from time to time, becomes a limited partner in accordance with the terms of this Agreement.

**"Limited Partnership"** means Tier One Capital Limited Partnership.

**"Limited Partnerships Act"** means the *Limited Partnerships Act* (Ontario).

**"Losses"** means any loss, damage, liability, deficiency, cost or expense including all reasonable legal and other professional fees and disbursements, interest, penalties and amounts paid in settlement but excluding loss of profit.

**"Management Fee"** has the meaning given to it in Section 3.5(1).

"**Manager**" means B.E.S.T. Investment Counsel Limited.

**"Net Income"** and **"Net Loss"** mean, in respect of any Fiscal Year, the net income or net loss of the Limited Partnership in respect of such period, determined in accordance with IFRS.

**"New Subscriptions"** has the meaning given to it in Section 2.8.

**"Non-Tendering Offerees"** means, where a take-over bid is made for all of the Units other than those held by the offeror, a holder of Units who does not accept the take-over bid and includes a subsequent holder of that Unit who acquires it from the first mentioned holder.

**"Offerees"** mean a person to whom a take-over bid is made.

**"Offeror"** means a Person, other than an agent, who makes a Take-Over Bid, and includes two or more Persons who, directly or indirectly:

(a) make a Take-Over Bid jointly or in concert; or

(b) intend to exercise jointly or in concert voting rights attached to the Units for which a Take-Over Bid is made.

**"Operating Expenses"** has the meaning given to it in Section 3.6.

**"Ordinary Resolution"** has the meaning given to it in Section 13.9.

**"Partners"** means the General Partner and the Limited Partners.

**"Partnership Equity"** means partners' equity as presented on the statement of financial position of the Limited Partnership from time to time.

**"Performance Allocation"** has the meaning given to in Section 3.3.

**"Person"** includes any individual, sole proprietorship, partnership, firm, entity, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate, government, governmental department and, where the context requires, any of the foregoing when they are acting as trustee, executor, administrator or other legal representative.

**"Portfolio"** has the meaning given to it in Section 1.4.

**"Portfolio Companies"** has the meaning given to it in Section 1.4.

**"Power of Attorney"** has the meaning given to it in Section 15.2.

**"Priority Profit Allocation"** has the meaning given to it in Section 3.2(1).

**"Priority Profit Distribution"** has the meaning given to it in Section 3.2(1).

**"Priority Profit Quantum"** has the meaning given to it in Section 3.2(1).

**"Prohibited Group"** has the meaning given to it in Section 7.1(2)(d).

**"Prohibited Person"** has the meaning given to it in Section 7.1(2)(d).

**"Record"** means the Record of Limited Partners maintained by the General Partner or the Transfer Agent in accordance with the Limited Partnerships Act in accordance with Section 10.6.

**"Securities Exchange"** means any stock exchange on which Units or other Limited Partnership interests are or will be listed for trading.

"**Sell Notice**" has the meaning given to it in Section 7.4.

**"Share Exchange Transaction"** means the transaction whereby BEST Discoveries sells substantially all of its assets to the Limited Partnership pursuant to an asset purchase agreement in exchange for Units, which Units are distributed to Shareholders and Shareholders are admitted as Limited Partners.

**"Shareholders"** means the holders of Class A Shares and Class L Shares of BEST Discoveries.

**"Subscriber"** means a person who subscribes for Units and includes BEST Discoveries Subscribers.

**"Subscription Agreement"** means a subscription agreement made by or on behalf of the Subscriber in such form as may be prescribed by the General Partner for Subscriptions, if any.

**"Subscription Price"** has the meaning given to it in Section 2.5(1).

**"Subscriptions"** has the meaning given to it in Section 2.8.

**"T1 Group"** means the Affiliates of the General Partner, and each of the directors, officers, employees, agents, partners and shareholders of the General Partner its Affiliates.

**"Take-Over Bid"** has the meaning given to it in the *Securities Act* (Ontario).

**"Tax Act"** means the *Income Tax Act* (Canada) and the regulation promulgated thereunder, each as amended.

**"Taxes"** includes all present and future taxes, surtaxes, duties, levies, imposts, rates, fees, assessments, withholdings, dues and other charges of any nature imposed by any governmental authority, including income, capital, withholding, consumption, sales, use, transfer, goods and services, harmonized or other value-added, excise, customs, anti-dumping, countervail, net worth, stamp, registration, franchise, payroll, employment, health, education, business, school, property, local improvement, development, education development and occupation taxes, surtaxes, duties, levies, imposts, rates, fees, assessments, withholdings, dues and charges, and other assessments or similar charges in the nature of a tax including Canada Pension Plan and provincial pension plan contributions, employment insurance and unemployment insurance premiums and workers compensation premiums, together with all fines, interest, penalties on or in respect of, or in lieu of or for non-collection of, those taxes, surtaxes, duties, levies, imposts, rates, fees, assessments, withholdings, dues and other charges, whether disputed or not.

**"Total Assets"** means the total assets as presented on the statement of financial position of the Limited Partnership from time to time.

**"Transfer"** means, in respect of an interest in the Limited Partnership, the act of assigning, giving, selling or otherwise disposing of such interest.

**"Transfer Agent"** means the entity appointed as registrar and transfer agent for the Units, initially TMX Equity Transfer Services.

**"Units"** means the interests in the Limited Partnership divided into and represented by an unlimited number of units of the Limited Partnership in one or more classes, and includes the "**Exchange Units**".