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

ANNUAL INFORMATION FORM

CLASS A SHARES, SERIES I
CLASS A SHARES, SERIES II
CLASS A SHARES, SERIES III
CLASS A SHARES, SERIES IV

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

No securities regulatory authority has expressed an opinion about these shares and it is an offence to claim otherwise.

December 17, 2013

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THE BUSINESS, ENGINEERING, SCIENCE & TECHNOLOGY DISCOVERIES FUND INC.
ANNUAL INFORMATION FORM

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

This annual information form is being filed in the Province of Ontario, in which The Business, Engineering, Science & Technology Discoveries Fund Inc. (the "Fund") ceased distribution of its Class A Shares. The information set out in this annual information form is as of September 30, 2013 unless otherwise indicated and thus may be superseded by information filed by the Fund with the Ontario Securities Commission as of a later date.

FORWARD-LOOKING INFORMATION

This annual information form, including documents incorporated by reference herein, contains "forward-looking statements". These statements relate to future events or future performance and reflect expectations regarding growth, results of operations, performance, business prospects or opportunities or industry performance or trends. These forward-looking statements reflect management's internal projections, expectations or beliefs and are based on information available to the Fund as of the date of this annual information form. 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. An investor should specifically consider these factors including the risks and uncertainties described under "Risk Factors" and other factors referenced in the Fund's filings with the Ontario Securities Commission. 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 information contained in this annual information form, including the information set forth under "Risk Factors", identifies additional factors that could affect the operating results and performance of the Fund. The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this annual information form are made as of the date of this annual information form and the Fund undertakes no obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise.

NAME, FORMATION AND HISTORY OF THE FUND

The Fund is registered as a labour sponsored investment fund corporation under the *Community Small Business Investment Funds Act* (Ontario), as amended (the "Ontario Act") and, as a result, is a prescribed labour-sponsored venture capital corporation under the *Income Tax Act* (Canada), as amended (the "Tax Act"). The Fund is sponsored by the International Federation of Professional and Technical Engineers – Local 164 (the "Sponsor"). 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 "Manager"). 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 "Management Advisor"). 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. Equity Transfer & Trust Company is the registrar and transfer agent for the Fund's Class L Shares.

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 (as defined below). 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. See "Investment Restrictions and Practices".

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 as 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 defined below).

In July 2003, the Fund received relief from the provisions of National Instrument 81-102 *Mutual Funds* of the Canadian Securities Administrators in relation to a change of control of the Manager where the Fund's then manager, B.E.S.T. Capital Management Ltd., became indirectly 100% controlled by Mr. John Richardson. The Management Agreement (as defined below) was assigned to the Manager, an affiliate, as of September 1, 2003.

The amendment on July 24, 2009 also simplified the transfer provisions relating to the Fund's Class A Shares, updated outdated references and permitted additional transfers without approval of the Fund's board of directors (the "Board"). The articles of arrangement also clarified that any payments of the Incentive Participation Amount (described below) on a dissolution of the Fund includes payments for dispositions of eligible investments throughout a wind-up or liquidation. The articles of arrangement also broadened the definition of "sponsor" to include such other entities as permitted by applicable legislation.

Further, the articles of arrangement modified the terms of the Class P Shares of the Fund relating to the payment of dividends for the Incentive Participation Amount on such shares, specifically in the circumstances of the termination of the holder of such shares as the manager or management advisor, as applicable, of the Fund. The amendment would cause the dividend on Class P Shares to be calculated on the basis of the estimated fair market value of all eligible investments of the Fund on the date of termination of the Manager and/or Management Advisor assuming that all of such investments have been sold as of such date of termination, instead of on a pro rata basis calculated as of the last day of the calendar quarter in which the termination occurs, on the basis of the gains and income on eligible investments realized in such quarter. The payments would only be made if and when the specific eligible investments are sold. While the articles of arrangement were filed with the foregoing amendment, the change has not yet been implemented subject to approval of the necessary securities regulatory authorities. In the event such approval is not obtained, the Fund may seek shareholder approval to amend the current terms of the Class P Shares to reflect an alternate method of calculating the entitlement of the holder of the Manager Series IPA Shares and the Advisor Series IPA Shares upon termination as Manager or Management Advisor of the Fund, as applicable.

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.

As at November 30, 2013, the Net Asset Value of the Fund was $31,926,718. 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 "Valuation of Class A Shares and Class L Shares".

The Fund's Plan of Arrangement and Suspension of Sales

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").

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. Since the Ontario government announced in August 2005 its intention to phase out the Ontario tax credit program for labour sponsored investment fund corporations by the end of the 2011 taxation year, management of the Fund and the Board had been evaluating the Fund's options. 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. 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. 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. Otherwise, the new Class A Shares are substantially similar in all material respects to the pre-existing Class A shares, including that capital attributable to the Class A Shares is subject to the pacing requirements in the Ontario Act.

The Class L Shares, Series I are listed on the Canadian National Stock Exchange (the "CNSX") 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 did not qualify for the "Ontario Tax Credit" or "Federal Tax Credit". The Ontario Tax Credit was the tax credit which was available under the Ontario Tax Act (defined below) 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 Acts. 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 Ontario Tax Credit was eliminated for the 2012 and subsequent taxation years. In addition, investors who may be issued Class A Shares in the future will not be eligible for any Federal Tax Credit, if available, in respect of such shares unless the Fund becomes registered as a labour-sponsored venture capital corporation under the Tax Act or registered in certain other provinces offering tax credits for investments in similar constituted corporations. See "Risk Factors – Elimination of Ontario Tax Credit". On March 21,

2013, the Minister of Finance (Canada) announced the phase-out of the Federal Tax Credit. The Federal Tax Credit will be reduced to 10% for the 2015 taxation year and 5% for the 2016 taxation year, before being eliminated in 2017.

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.

The Fund is regulated as a labour sponsored investment fund corporation and manages the capital attributable to both the Class A Shares and Class L Shares as one portfolio. The investment objective, strategy and restrictions of the Fund did not change as a result of the Plan of Arrangement, except as necessary to refer to the newly issued share classes in the capital of the Fund.

The Class A Shares of the Fund are not currently in continuous distribution. In order to ensure that shareholders holding Class L Shares in a BEST registered retirement savings plan or with mutual fund dealers will be able to trade their Class L Shares on the CNSX, such shareholders should contact their dealer as soon as possible to facilitate the transfer of such shares to an account with an investment dealer.

INVESTMENT RESTRICTIONS AND PRACTICES

Investment Objectives

The primary objective of the Fund is to achieve long-term capital appreciation for holders of the Fund's Class A Shares and Class L 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 (as defined below).

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

Investment Review Process

Investment Characteristics

Markets for investment change rapidly as new technologies emerge and as applications of existing technologies enable new segments to appear. The Fund is most interested in rapidly growing emerging markets and in eligible 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.
- The promise of a sustained competitive advantage for the business product or services associated with superior technology, patented products or niche position.
- Evidence of a market for the business technology, product or services and a national and/or world-wide strategy for the business' core technology, product or service (this will normally involve strategic alliances and links with existing organizations).
- A commitment to innovation, rapid market expansion and capability of obtaining a dominant market position.
- The opportunity for at least one representative of the Fund 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.
- A reasonable expectation that the Fund 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 success of the Fund will depend largely on its ability to identify attractive investment opportunities and to invest in the most appropriate of them. The Management Advisor relies on networks in the investment community to assist in identifying appropriate investment opportunities for the Fund. The Fund also receives proposals directly from businesses seeking financing and co-operates with other investors in identifying, structuring and negotiating investments. Participation with other investors in well structured attractive investments increases the Fund's investment opportunities. The Fund also invites other investors to participate in selected transactions originated by the Management Advisor or the Fund.

The Investment Review Process

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

Screening

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 Fund is most able to help facilitate positive change when a company is on the verge of or undergoing rapid growth or organizational change.

Product or Service

Product development should be substantially complete and initial marketing plans developed. The exception is the biotechnology sector which can take years before regulatory approval is received. Service businesses should be established and profitable, with a model that allows for substantial and ongoing growth.

Market

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

Exit Potential

Expectation of liquidity is critical, and the Fund's expectation is that the investee company must go public or be sold within the investment horizon. Investments are selected on the basis of probable acceptability to the capital markets and an acquisition partner's investment criteria.

Measuring

In evaluating prospective investments, the financial plan is measured against the Fund'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 Management Advisor undertakes 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".

Implementation of Investment Strategy and Monitoring

Evaluating Investment Opportunities

As part of the overall investment strategy outlined above, the Board and the Management Advisor 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 Management Advisor generally includes 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.

Exiting Investments

Generally, the Fund anticipates holding investments over a sufficiently lengthy period of time to enable the Fund to benefit from the long-term upside potential of its portfolio companies. The Fund will seek to dispose of investments when the long-term outlook of a portfolio company deteriorates or when the Fund is able to replace the investment with an investment in another eligible business with greater potential for long-term growth. Due to the size of the Fund'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 Fund to dispose of securities on favourable terms, if at all. The Fund's investments may be subject to minimum hold periods imposed under applicable securities legislation or imposed by a stock exchange, as applicable, which will limit the Fund's ability to dispose of those investments promptly. See "Form of Investments".

New Investments

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 will be responsible for the compliance of the investments with the policies and strategies of the Fund.

Addressing Conflicts of Interest

From time to time, a director of the Fund may face a potential conflict in connection with certain investment decisions. For example, a director's employer may have an interest in eligible businesses in which the Fund 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 legislative restrictions contained in the Ontario Act, the investment criteria and guidelines of the Fund, the long-term requirements of the portfolio company and tax considerations. Given the long-term growth objective of the Fund, it is anticipated that investments will be primarily 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. Certain investments may involve a combination of these instruments.

The Ontario Act provides, among other things, that an investment is an eligible investment for the purposes of the Fund if the Fund purchases shares or qualifying debt obligations (or rights or options granted in conjunction therewith) from the eligible business. Accordingly, with respect to eligible investments, the Fund will be limited to investing in treasury securities (or rights or options granted in connection therewith) issued by the investee business and will not be permitted to purchase securities in the secondary markets, except that the Fund may acquire an investment in connection with the wind-up of a labour sponsored investment fund corporation in accordance with the Ontario Act. See "Investment Restrictions".

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 Fund. In addition, investments in eligible businesses whose securities become publicly-traded will generally be subject to hold periods imposed under applicable securities legislation 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 applicable securities legislation), the securities representing such investments cannot be resold without a prospectus, an available exemption or an appropriate ruling under applicable securities legislation.

The Fund will generally, where it is deemed by the Management Advisor to be appropriate, seek to protect invested capital by obtaining a security interest, financial covenants and/or a shareholders' agreement (where permitted by the Ontario Act).

Liquid Investments

Pending investment in eligible businesses, the Fund's assets (including funds received on the liquidation of investments) are invested in Liquid Investments. The Fund may, from time to time, retain registered investment dealers to execute trades of the Liquid Investments for the Fund. The Management Advisor provides liquid portfolio investment management services to the Fund on a discretionary basis.

Management of Investments

The Management Advisor monitors individual investments closely to ensure that the interests of the Fund are being protected. Pursuant to the Management Advisor Agreement (as defined below), the Management Advisor provides to the Board, on a quarterly basis, a detailed report on the Fund's performance

including a discussion of significant events and management plans and recommendations with respect to the continued management of the Fund's investments.

Investment Restrictions

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. In this respect, certain or some of the policies applicable to the incorporation and capitalization of mutual funds, the frequency of determining Net Asset Value and suspension of redemptions do not apply. In addition, the Fund is exempt from certain or some of the investment restrictions applicable to mutual fund investments, including restrictions in respect of illiquid investments, the borrowing or lending of monies or the provision of guarantees for the debts or obligations of other persons or companies. The Fund is permitted to exceed certain investment thresholds normally applicable to mutual funds.

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", which generally 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 for purposes of the Ontario Act ("Reserves").

Under the Ontario Act, an investment of a labour sponsored investment fund corporation is an eligible investment if, in general terms, (a) the investment is in an eligible business or (b) the investment is the purchase from an eligible business of: (i) shares or a qualifying debt obligation issued by the eligible business or an ownership interest in the eligible business for consideration paid in money; or (ii) an option or right granted by an eligible business that is a corporation, in conjunction with the issue of a share or a debt obligation that is an eligible investment, to acquire a share of the eligible business that would be an eligible investment if the share were issued at the time the option or right was granted.

The Ontario Act defines an "eligible business" to mean, in general terms, a taxable Canadian corporation or a Canadian partnership which, together with related corporations or partnerships, does not have more than $50 million in total gross assets or more than 500 employees at the time the relevant investment is made and of which 50% or more of its full-time employees are employed in respect of its eligible business activities carried on in Ontario and 50% or more of its wages and salaries are paid to employees whose ordinary place of employment is a permanent establishment of the eligible business located in Ontario. For purposes of determining whether the 500 employee limit is exceeded, each employee who normally works 20 hours or more per week will count as one employee. An employee that normally works less than 20 hours per week will count as one-half of an employee. In addition, the corporation or partnership must either have been engaged in eligible business activities for at least two years, or for such shorter period of time that it has been in business. Alternatively, an "eligible business" also includes a taxable Canadian corporation or Canadian partnership that is not an "eligible business" only because it is not primarily engaged in eligible business activities, but that, within a reasonable number of days after the labour sponsored investment fund corporation makes an investment in the corporation or partnership, it invests all or substantially all of the amount of the investment in a corporation or partnership that meets the definition of "eligible business".

The Ontario Act defines "eligible business activity" to mean, in general terms, any business carried on by the corporation which is an active business as defined in the Tax Act. The Fund's investment may not be used by the investee corporation or partnership to, among other things: carry on business outside Canada; subject to certain exceptions, re-lend; pay the principal amount of outstanding liabilities owing to shareholders of the Fund or related persons; or invest in land, except land that is incidental and ancillary to the eligible business activity in which the investee corporation or partnership is primarily engaged. In addition, in the event the Fund is no longer a widely-held corporation in the future, the investee corporation or partnership may not use the Fund's investment to finance the purchase or sale of goods or services provided to the business by or through a shareholder of the Fund or related persons. Under the Ontario Act, the Fund is considered to be widely held if it has ten or more shareholders and no shareholder or related group of which a shareholder is a member owns more than 10% of the issued and outstanding voting shares of the Fund. The purpose of such restrictions is to ensure that monies raised from investors are available to assist the growth of eligible Canadian businesses and thereby to create new employment opportunities.

A "qualifying debt obligation" is defined in the Ontario Act to mean a debt obligation:

(a) that, if secured, is secured, (i) by a security interest in one or more assets of the entity and the terms of the debt obligation or any agreement relating to the debt obligation do not prevent the entity from dealing with its assets in the ordinary course of business before any default on the debt obligation, (ii) by a guarantee, or (iii) by both a security interest described in subclause (i) and a guarantee, and

(b) that by its terms or by the terms of any agreement relating to the debt obligation does not entitle the holder of the debt obligation to rank ahead of any other secured creditor of the issuer in realizing on the same security unless, (i) the debt obligation is prescribed to be a small business security for the purposes of paragraph (a) of the definition of "small business property" in subsection 206(1) of the Tax Act, or (ii) the other secured creditor is a shareholder of the corporation or a person related to the shareholder.

The Fund is permitted to make a follow-on investment in a Canadian corporation or Canadian partnership that is no longer an eligible business for the sole reason that, at the time the investment is made, the corporation or partnership has more than $50 million in assets or more than 500 full-time employees, provided that the Fund made and continues to maintain a previous investment in such entity that was, at the time the investment was made, an eligible investment under the provisions of the Ontario Act. The Fund may also acquire an investment that is no longer an eligible investment where such investment was acquired from a labour sponsored investment fund corporation that had previously given notice to the Minister of Finance (Ontario) of its proposal to dissolve or wind-up, the disposition of the investment was undertaken in the course of and by reason of the dissolution or wind-up and the investment was an eligible investment of the other labour sponsored investment fund corporation immediately before the disposition.

Under the Ontario Act, at the end of each calendar year after 2004 and before 2013, 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 the Fund's Class A Shares that remain outstanding at the end of the year and were issued before the 61st day of that year (excluding Class A Shares that have been outstanding for at least 7 years and 10 months) less 20% of the capital raised from Class A Shares of the Fund issued during the period beginning on the 61st day of the year preceding the applicable year and ending on the 60th day of the applicable year that are outstanding at the end of that year. 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 7 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.

If the Fund guarantees a qualifying debt obligation issued by an eligible business, the Fund will be deemed to have made an eligible investment in the eligible business having a cost equal to 25% of the amount of the debt that was guaranteed. These pacing requirements only apply to Class A Shares. Pursuant to the Plan of Arrangement, Class A Shares (Series I, II and III) that were issued pursuant to the Arrangement on exchange of the Fund's old Class A shares are deemed to have been outstanding from the date the applicable shares were first issued (these shares do not include Class A Shares, Series IV that were purchased with redemption proceeds of old Class A shares that had been held by the holder for more than eight years and who directed the redemption proceeds be used to purchase new Class A Shares).

In addition to the various investment level requirements, the Ontario Act also prohibits the Fund from investing in or maintaining investments in eligible businesses where:

(1) the Fund or any of its directors do not deal at arm's length with the eligible business, unless the business either would deal at arm's length with the Fund but for the Fund's interest as the holder of investments in the eligible business or the investment was approved by special resolution of the shareholders of the Fund before such investment was made; or

(2) the aggregate of all investments made by the Fund in the eligible business and any related businesses exceeds $20 million.

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. See "Income Tax Considerations".

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 of incorporation 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 Fund is 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.

ELIGIBILITY FOR INVESTMENT

Provided that the Class L Shares are listed on a designated stock exchange for the purposes of the Tax Act (which currently includes the CNSX), the Class L Shares will generally be "qualified investments" under the Tax Act and the regulations thereunder for trusts governed by registered retirement savings plans ("RRSPs"), registered retirement income funds ("RRIFs"), deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts ("TFSAs"), as such terms are defined in the Tax Act.

Notwithstanding that the Class L Shares may be a qualified investment for a TFSA, RRSP or RRIF, the holder of a TFSA or the annuitant of a RRSP or RRIF may be subject to a penalty tax if the Class L Shares held in the TFSA, RRSP or RRIF, as applicable, are a "prohibited investment" within the meaning of the Tax Act (see discussion below).

A Class A Share will generally be a qualified investment for a trust governed by an RRSP, RRIF, or a TFSA, provided that at the time the Class A Share is acquired by the trust, (i) the Fund is registered as a labour sponsored investment fund corporation under the Ontario Act, and (ii) the Class A Share is not a "prohibited investment" for the trust (as defined for the purposes of the Tax Act).

A Class A Share and a Class L Share will generally be a "prohibited investment" for an RRSP, RRIF or TFSA (each 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 Fund (for purposes of the Tax Act), or (ii) has a "significant interest" in the Fund (within the meaning of the Tax Act). A controlling individual will generally

have a significant interest in a corporation (including the Fund) if he or she owns, directly or indirectly, 10% or more of the issued shares of any class or series of the corporation or of any corporation "related" to the corporation (as defined in the Tax Act). For these purposes, a person is deemed to own shares owned by any other persons with whom he or she does not deal at arm's length (for purposes of the Tax Act) plus his or her proportionate share of shares owned by a partnership of which he or she is a member, and all or part of the shares owned by a trust of which he or she is a beneficiary, depending on the terms of the trust. In addition, a Class A Share will generally not be a "prohibited investment" if the Class A Share is "excluded property" for Registered Plans. Alternatively, a Class A Share will also generally be a "prohibited investment" if the Fund ceases to be registered as a labour sponsored investment fund corporation.

If a Class A Share is a "prohibited investment" for a Registered Plan, the annuitant under the RRSP or the RRIF or the holder of the TFSA, as applicable, may also be subject to a penalty tax under the Tax Act.

Shareholders who propose to hold their Class A Shares or Class L Shares in a RRSP, RRIF or TFSA should consult their own tax advisors regarding the "prohibited investment" rules having regard to their own particular circumstances.

See "Income Tax Considerations".

DESCRIPTION OF SHARE CAPITAL

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 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 Class C Shares have been designated, one series of Class L Shares has been designated, the Series I Shares, and two series of Class P Shares have been designated, the Manager Series IPA Shares and Advisor Series IPA Shares.

Generally, the Class A Shares may be issued only to individuals (other than trusts), certain RRSPs and TFSAs which, at the time of subscription, meet all other conditions, if any, of the Ontario Act. The Class B Shares may be issued only to the Sponsor or other permissible employee organizations. The Class C Shares, subject to any necessary regulatory approval, may be issued from time to time to corporate, institutional or other investors but the Class C Shares do not qualify for the tax credits which were formerly applicable to investments in the Class A Shares. The Class L Shares, subject to any necessary regulatory approval, may be issued to any investor but the Class L Shares do not qualify for the tax credits formerly applicable to investments in the Class A Shares. The Class P Shares, subject to any necessary regulatory approval, may be issued from time to time to the Manager and Management Advisor but the Class P Shares do not qualify for the tax credits formerly applicable to investments in the Class A Shares.

The following is a summary of the material provisions attaching to each class of shares of the Fund subsequent to the Plan of Arrangement. The old Class A shares of the Fund were cancelled as part of the Plan of Arrangement.

Class A Shares

Issue

Class A Shares may be issued only to individuals other than trusts and certain RRSPs and TFSAs which, at the time of subscribing for Class A Shares, meet all other conditions, if any, of the Ontario Act and the Tax Act. The Class A Shares are not currently in continuous distribution.

Subject to any necessary regulatory approvals, the Fund may re-commence offering any or all of the six series of shares at any time the Fund deems appropriate in its sole discretion. The Fund may suspend the offering of any or all of the series at any time when the Fund has more funds on hand than it can invest in suitable investments within a reasonable period of time and will re-commence the offering at such time as sufficient investment opportunities are available. Any new issuance of Class A Shares will be made at the net asset value per applicable series of shares next determined.

Transfer

Currently there are no restrictions prohibiting the Fund from registering or otherwise recognizing a transfer of a Class A Share.

The Fund will not charge a transfer fee.

Redemption by Holders

If a tax credit certificate or information return for an Ontario Tax Credit or Federal Tax Credit has been issued in respect of Class A Shares held by an individual (a "Specified Individual"), the Specified Individual, an RRSP or RRIF to which the Class A Share has been issued or transferred and under which the Specified Individual or his or her spouse (including a common law partner, "Spouse") is the annuitant, or a TFSA under which the Specified Individual is the holder, may not require the Fund to redeem the Class A Share unless such Specified Individual submits a request in writing to the Fund that the Fund redeem the Class A Share and has satisfied all other prescribed conditions, if any, of the Ontario Act, and the following:

(a) where the Class A Share is held by a Specified Individual who is the original purchaser, the Fund is notified in writing that the original purchaser:

  (i) has, after acquiring the Class A Share, become disabled and permanently unfit for work or terminally ill; or

  (ii) has requested the Fund to redeem the Class A Share within 60 days after the day on which such Class A Share was issued and any tax credit certificate or information return issued to the holder has been returned to the Fund;

(b) the Class A Share is held by an individual who notifies the Fund in writing that the Class A Share has devolved to such individual as a consequence of the death of a Specified Individual or the annuitant under an RRSP or a RRIF that was the holder of such Class A Share;

(c) the Class A Share is held as an investment in an RRSP or a RRIF under which the original purchaser or the original purchaser's Spouse is the annuitant and the original purchaser has died or, where the original purchaser is living, the Fund is notified in writing that the original purchaser has satisfied the conditions in clause (i) of paragraph (a) above;

(d) the redemption occurs more than eight years following the date of issue of the Class A Share;

(e) the redemption occurs within eight years of the date of issue of the Class A Share and the Fund has withheld all such amounts and the Fund and the holder have satisfied all such conditions under the Tax Act and, where applicable, all requirements in connection with the redemption imposed by the Ontario Act and any other provincial legislation having application to the holder or the Fund; or

(f) the holder of the Class A Share has satisfied such other conditions as may be prescribed under the Tax Act and the Ontario Act and approved by the Board.

A holder of Class A Shares in respect of which a tax credit certificate or information return has not been issued may request the Fund to redeem the shares at any time.

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. Subject to the foregoing limitation, any such shares which the Fund has not redeemed in a particular financial year will be redeemed in the following financial year before the Fund redeems any other Class A Shares and, for such purposes, the requests to redeem such Class A Shares will be deemed to have been received by the Fund on the first day of the following financial year in the order that they were originally received by the Fund.

Redemptions of Class A Shares will be made at the Redemption Price as at the Redemption Date (both as defined below).

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.

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. For greater certainty, for purposes of the redemption fee any Class A Shares, Series I, II or III received on the effective date of the Plan of Arrangement are deemed to have been held from the date of issuance of the original Class A shares. 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 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. In each case the redemption fee otherwise payable will be deducted from the Redemption Price and will be retained by the Fund.

Conversion to Class L Shares

A holder of Class A Shares may exchange such shares into Class L Shares, Series I after the second anniversary of the date of issue of the Class A Share. A holder may require the Fund to effect a conversion of shares registered in the name of the holder by delivering to the Fund a request in writing specifying the number or aggregate dollar value of the shares to be converted, together with any certificate therefor. Where proper notice of the exchange from Class A Shares into Class L Shares, Series I has been provided, such Class A Shares will be exchanged into Class L Shares, Series I on or before the 10th Business Day following the date on which the Fund announces the applicable net asset value per Class A Share, as at the Valuation Date immediately following the date on which the Fund received the request to convert. A "Valuation Date" means a date on which the Net Asset Value of the Fund is determined, which occurs at least weekly. A "Business Day" is a day other than a Saturday, a Sunday or a public holiday on which the banks are not open for business in Toronto, Ontario. For each Class A Share so exchanged, a Class A Shareholder will receive the number of Class L Shares, Series I equal to the net asset value per Class A Share of the applicable series as of the next Valuation Date subsequent to the conversion request plus any declared and unpaid dividends, less any applicable redemption fee divided by the net asset value per Class L Share, Series I as of the next Valuation

Date subsequent to the conversion request rounded down to the nearest whole Class L Share, Series I. No fractional Class L Shares, Series I will be issued on an exchange of Class A Shares. The exchange of Class A Shares into Class L Shares, Series I should not result in a capital gain for purposes of the Tax Act. In the event the Class A Shares have been held for less than eight years, redemption fees and tax credit clawbacks may apply to the conversion.

Dividends

Holders of Class A Shares will be entitled to receive dividends at the discretion of the Board, provided that no dividends will be declared or paid unless the same dividend per share is declared or paid on Class L Shares and Class C Shares (if any).

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 will entitle the holder thereof to one vote per Class A Share held.

Fractional Shares

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.

Election of Directors

Holders of Class A Shares as a class voting together with holders of the Class L Shares as a class will be entitled to elect one-third of the directors of the Fund and where such number is not a whole number, the number of directors holders of Class A Shares together with holders of the Class L Shares will be entitled to elect shall be rounded down to the nearest whole number, such directors to be elected at each annual meeting of the Fund.

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 ("dissolution"), 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.

Differences between Series of Class A Shares

Different redemption fee structures apply to each of the Class A Shares, Series I, the Class A Shares, Series II, the Class A Shares, Series III, the Class A Shares Series IV, the Class A Shares, Series V and the Class A Shares, Series VI.

Class A Shares are not currently in continuous distribution. In the 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.

Different service fee structures applied to each series of the former Class A shares (now cancelled). Service fees were intended to compensate dealers for the expenses incurred by them in communicating on an ongoing basis, both by mail and in person, with their clients who were holders of the former Class A shares with respect to investments made by the Fund and the investment strategies and investment performance of the Fund.

Following the Plan of Arrangement, the regulatory approval required for the Fund to pay such service fees was not obtained and, as a result, the Fund cannot currently pay service fees on the Class A Shares.

Holders of Class A Shares, Series I, II, IV or V who elect to redeem such shares before the eighth anniversary of the date of issue of such shares will be charged an early redemption fee payable to the Fund. The redemption fee on the Class A Shares, Series I and Series IV will be one eighth of 6.25% of the Redemption Price of such Class A Shares, Series I and IV for each year or part year remaining before the eighth anniversary of the date of issue. The redemption fee on the Class A Shares, Series II and Series V will be 1.25% of the Redemption Price of such Class A Shares, Series II and Series V for each year or part year remaining before the eighth anniversary of the date of issue. There will be no early redemption fee payable to the Fund by holders of the Class A Shares, Series III or Series VI.

Class B Shares

Issue

The Class B Shares may be issued only to the Sponsor (either directly or to a wholly-owned subsidiary), or such other organizations, entities or persons permitted under the Ontario Act to hold Class B Shares.

Dividends

The holders of the Class B Shares are not entitled to receive dividends.

Voting Rights

The holders of the Class B 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 are entitled to vote separately as a class, are entitled to vote at any such meeting. Each Class B Share entitles the holder thereof to one vote per share.

Election of Directors

The holders of the Class B Shares are entitled to elect the number of directors of the Fund who are not elected by the holders of the Class A Shares and the Class L Shares, provided that such directors shall be not less than a majority of the directors.

Redemption

The Class B Shares are redeemable by the Fund at a redemption price equal to the purchase price paid for such Class B Shares.

Dissolution

On dissolution, the holders of the Class B Shares are entitled to receive the purchase price paid for such shares before the holders of Class P Shares have received an amount equal to the amount paid for the

issue of the Class P Shares, and before any assets are distributed to holders of Class A Shares, Class C Shares and Class L Shares, but after payment of all liabilities of the Fund.

Class C Shares

Issue

The Class C Shares are issuable in series, each series consisting of such number of shares as may be determined by the Board.

Dividends

Holders of Class C Shares are entitled to receive dividends at the discretion of the Board, provided that no dividends will be declared or paid unless the same dividend per share is declared or paid on Class A Shares and Class L Shares.

Dissolution

On dissolution, the holders of Class C Shares, Class A Shares 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.

Non-Voting

The holders of Class C Shares will be entitled to receive notice of and attend all meetings of shareholders of the Fund but, except as provided by law, will not be entitled to vote thereat.

Other Rights

Except as otherwise provided, the rights, privileges, restrictions and conditions attaching to each series of Class C Shares shall be determined by the Board, subject to the prior approval of the Minister of Finance (Ontario).

Class L Shares

Issue

The Class L Shares are issuable in series, each series consisting of such number of shares as may be determined by the Board. The rights, privileges, restrictions and conditions attaching to each series of Class L Shares shall be determined by the Board. Subject to the CBCA, and any necessary regulatory approvals, 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.

Dividends

Holders of Class L Shares will be entitled to receive dividends at the discretion of the Board, provided that no dividends will be declared or paid unless the same dividend per share is declared or paid on Class A Shares and Class C Shares (if any).

Voting Rights

Holders of Class L 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 L Share will entitle the holder thereof to one vote per Class L Share held.

Election of Directors

Holders of Class L Shares as a class voting together with holders of the Class A Shares as a class will be entitled to elect one-third of the directors of the Fund and where such number is not a whole number, the number of directors holders of Class L Shares together with holders of the Class A Shares will be entitled to elect shall be rounded down to the nearest whole number, such directors to be elected at each annual meeting of the Fund.

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 ("dissolution"), 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.

Mandatory Redemption by Fund

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. The price per Class L Share, Series I to be paid on any such redemption is the net asset value per Class L Share, Series I on the next Valuation Date following the redemption decision plus any declared and unpaid dividends as at such Valuation Date. 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.

Other Rights

Except as otherwise provided, the rights, privileges, restrictions and conditions attaching to each series of Class L Shares shall be determined by the Board, subject to the prior approval of the Minister of Finance (Ontario).

Class P Shares

Issue

The Class P Shares are issuable in series, each series consisting of such number of shares as may be determined by the Board. The rights, privileges, restrictions and conditions attaching to each series of Class P Shares shall be determined by the Board and must be approved by the Minister of Finance (Ontario).

Dissolution

On dissolution, the holders of Class P Shares will be entitled to receive an amount equal to the amount paid for the issue of the Class P Shares after the return of paid-up capital to the holders of outstanding Class B Shares and before any assets are distributed to the holders of Class A Shares, Class C Shares and Class L Shares.

Non-Voting

The holders of the Class P Shares will be entitled to receive notice of and attend all meetings of shareholders of the Fund but, except as provided by law, will not be entitled to vote thereat.

Manager Series IPA Shares

The following series of Class P Shares designated as "Manager Series IPA Shares" are one of two series of Class P Shares that are issued and outstanding.

Issue and Transferability

The Manager Series IPA Shares may only be issued to the Manager. The Manager Series IPA Shares are not transferable.

Dividends

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 "Fees and Expenses – Incentive Participation Amount" must be met.

Manager Termination

Subject to the approval of any necessary securities regulatory authority, the Class P Share terms currently provide that if the holder of the Manager Series IPA Shares is terminated as 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 the cumulative dividends to which it would otherwise have been entitled, assuming that all eligible investments had been disposed of as of the effective date of such termination at the estimated fair value of the Fund's eligible investments (calculated in accordance with the Fund's usual practices). Such payments would be made as and when the particular eligible investment is disposed of. In the event such approval is not obtained, the Fund may seek shareholder approval to amend the current terms of the Class P Shares to reflect an alternate method of calculating the entitlement of the holder of the Manager Series IPA Shares upon termination as Manager of the Fund.

Redemption

The Fund may redeem the Manager Series IPA Shares by payment of an amount equal to the purchase price paid for such shares if the Manager ceases to be manager of the Fund and any Manager IPA Dividends payable, accrued or accumulated and other amounts payable to the holder of the Manager Series IPA Shares have been paid in full or if the Manager agrees to the redemption.

Dissolution

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.

Advisor Series IPA Shares

Issue and Transferability

The Advisor Series IPA Shares may only be issued to the Management Advisor. The Advisor Series IPA Shares are not transferable.

Dividends

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 per cent (12%) annual average rate of return, up to and including a fifteen per cent (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 "Fees and Expenses – Incentive Participation Amount" must be met.

Management Advisor Termination

Subject to the approval of any necessary securities regulatory authority, the Class P Share terms currently provide that if the holder of the Advisor Series IPA Shares is terminated as 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 the cumulative dividends to which it would otherwise have been entitled, assuming that all eligible investments had been disposed of as of the effective date of such termination at the estimated fair value of the Fund's eligible investments (calculated in accordance with the Fund's usual practices). Such payments would be made as and when the particular eligible investment is disposed of. In the event such approval is not obtained, the Fund may seek shareholder approval to amend the current terms of the Class P Shares to reflect an alternate method of calculating the entitlement of the holder of the Advisor Series IPA Shares upon termination as Management Advisor of the Fund.

Redemption

The Fund may redeem the Advisor Series IPA Shares by payment of an amount equal to the purchase price paid for such shares if the Management Advisor ceases to be management advisor of the Fund and any Advisor IPA Dividends payable, accrued or accumulated and other amounts payable to the holder of the Advisor Series IPA Shares have been paid in full or if the Management Advisor agrees to the redemption.

Dissolution

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.

Securityholder Matters

Meetings of Securityholders

The Board must call a general meeting of shareholders every year. A special meeting of shareholders may be called by the Board at any time. Not less than 21 days' and not more than 60 days' notice will be given for any meeting of the Fund's shareholders. 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. Unless a greater majority is required by the laws applicable to the Fund, the approval of the shareholders of the Fund is deemed to be given if expressed by a resolution passed by at least a majority of the votes cast at a meeting of shareholders or each class of shareholders, as the case may be, called to consider such resolutions.

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 National Instrument 81-102 – *Mutual Funds* of the Canadian Securities Administrators, 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.

Reporting to Securityholders

Upon request by a shareholder, the Fund will send to such shareholders audited annual financial statements, unaudited interim financial statements of the Fund and annual and interim management reports of fund performance. Such financial statements are prepared in accordance with Canadian generally accepted accounting principles.

VALUATION OF CLASS A SHARES AND CLASS L SHARES

Valuation of Investments

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.

Valuation Policies and Procedures of the Fund

Quarterly Valuations

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.

The value of the Fund'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 Board is 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).

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

- Where the investment is progressing satisfactorily in relation to the Fund'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 Fund'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. Accrued interest and discounts earned are included in interest receivable. Consideration is given to whether the instrument is in arrears, the likelihood of full realization on the investment and the market rate of interest on similar securities.

- Short-term liquid debt instruments (having a term to maturity of 365 days or less) are valued at 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 Board can approve appropriate valuation techniques for that investment.

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.

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.

National Instrument 81-106 – *Investment Fund Continuous Disclosure* ("NI 81-106") requires funds to calculate their net asset value using the fair market value of their assets and liabilities while their financial statements must be prepared in accordance with Canadian generally accepted accounting principles ("GAAP") which has a different definition of fair value. Under Canadian GAAP, publicly traded investments are valued at bid prices and private investments are valued at fair value. The Fund calculates its net asset value per share for sales and redemptions of shares (the "Pricing NAV") by using the closing bid price of the publicly traded securities it holds, which is in accordance with Canadian GAAP. Currently there is no difference between the Pricing NAV and net asset value calculated using Canadian GAAP but there may be a difference in future.

The liabilities of the Fund are calculated at fair value in accordance with Canadian GAAP for the purpose of determining the Net Asset Value of the Fund and the liabilities are also presented at fair value in accordance with Canadian GAAP in the financial statements of the Fund. The Fund has not deviated from these valuation policies in the last three years.

As described below, an Incentive Participation Amount becomes payable to the Manager and 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. See "Fees and Expenses – Incentive Participation Amount".

Weekly Valuation Updates

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 perform 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 auditor conducts 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 includes 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 Fund has implemented internal control mechanisms such that appropriate audit evidence is available. The Fund's auditor relies on the report prepared by independent qualified business valuators relating to the Fund's compliance with its stated valuation policy, if such a report is prepared, valuations approved by the Board, and other information as required, as a source of audit evidence in forming its audit opinion on the financial statements.

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. (the "Registrar") 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.

PURCHASES OF CLASS A SHARES AND CLASS L SHARES

Neither the Class A Shares nor Class L Shares are currently in continuous distribution. Class L Shares, Series I are listed on the CNSX.

REDEMPTION OF CLASS A SHARES

Requests for redemption of Class A Shares may be made by completing the appropriate request for redemption form. All requests for redemption must be signed by the shareholder with the signature guaranteed by a Canadian chartered bank or trust company, a mutual fund dealer, investment dealer or by a member of a recognized stock exchange in Canada. No redemption will be effected until the written request for same has been duly completed and delivered to the Fund or a registered dealer who has distributed the securities, together with a duly endorsed share certificate (if any). Redemptions will be effective as of the tenth Business Day following the date of the Weekly Valuation Update next following the date on which the Fund receives (or is deemed to have received) the request for redemption (the "Redemption Date"). The redemption price for a series of Class A Shares will be the net asset value per applicable series, plus all dividends declared on such series, as applicable, and remaining unpaid as at the Redemption Date (the "Redemption Price").

There are restrictions on the redemption of 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 generally be subject to certain taxes equal to all or a portion of the Federal Tax Credits and Ontario Tax Credits received on the purchase of such Class A Shares. For these purposes, any Class A Share issued in February or March that is redeemed in February or on March 1 is deemed by the Ontario Act to have been redeemed on March 31. In addition, 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. 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 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. No such redemption fee will be payable upon redemption of Series III Shares or Series VI Shares. No redemption fee is payable upon redemption of a Class A Shares, 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. For greater certainty, with respect to Class A Shares (Series I, II or III) obtained in the Plan of Arrangement, holders are deemed to have held such Class A Shares from the date upon which the old Class A shares were originally issued.

Requests for redemption of Class A Shares will be dealt with by the Fund separately for each series in the order that they are received. Any unsatisfied redemption requests at the end of a weekly period will be honoured prior to any redemption requests submitted in a subsequent weekly period.

A dealer may make provision in arrangements that it has with an investor that will require the investor to compensate the dealer for any losses suffered by the dealer in connection with any failure of the investor to satisfy the requirements of the Fund or securities legislation for a redemption of securities of the Fund.

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. Subject to the foregoing limitation, any such shares which the Fund has not redeemed in a particular financial year will be redeemed in the following financial year before the Fund redeems any other Class A Shares and, for such purposes, the requests to redeem such Class A Shares will be deemed to have been received by the Fund on the first day of the following financial year in the order that they were originally received by the Fund.

The Fund is 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 (together

with such other consents as may be considered by the Fund in its discretion necessary or appropriate under the Ontario Act or Tax Act) has been obtained.

Class L Shares are not redeemable at the demand of the holder.

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 Incentive Participation Amount 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 of the tax otherwise payable on its taxable capital gains. Such capitalization will be effected by increasing the paid-up 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 paid-up 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. See "Income Tax Considerations".

RESPONSIBILITY FOR FUND OPERATIONS

The Fund

Directors and Officers of the Fund

The Board is responsible for supervising the management of the business and affairs of the Fund, and the Manager is subject to the oversight of the Board. The principal office of the Fund is located at 15 Toronto Street, Suite 400, Toronto, Ontario M5C 2E3.

The Fund currently has six directors, two of whom were elected by the holders of the Class A Shares while the remaining four were elected by the Sponsor, the beneficial holder of the issued and outstanding Class B Share. The Sponsor agrees to support for election two nominees as designated by B.E.S.T. Investment Counsel Limited. Each director will serve 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.

The name, municipality of residence, office and principal occupation for the last five years of each of the directors and officers of the Fund as at the date of this annual information form are set out below:

Name and Municipality of Residence	Position with the Fund	Principal Occupation
DAVID ALEXANDER COPELAND [(1)] Guelph, Ontario, Canada	Director	Private Investor
JOCELYNE MARGUERITE MARIE CÔTÉ-O'HARA[(1)] Toronto, Ontario, Canada	Director	President, The Cora Group

Name and Municipality of Residence	Position with the Fund	Principal Occupation
WILLIAM DONALD DUNCAN Guelph, Ontario, Canada	Director	Engineering Consultant and President, Duncan Engineering and Technical Services Ltd.
GEORGE RUSSELL PATERSON [(2)] Toronto, Ontario, Canada	Director	Consultant, Paterson & Associates
ROBERT DWAYNE SPAANS Peterborough, Ontario, Canada	Director	Senior Designer, Andritz Hydro
DAVID ANDREW TURNBULL[(1)] Toronto, Ontario, Canada	Director	Head of Private Company Advisory, Manulife Capital Markets
JOHN MICHAEL ANTHONY RICHARDSON 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 B.E.S.T. Capital Administration Inc.
THOMAS WILLIAM ROBERT LUNAN Toronto, Ontario, Canada	Chief Financial Officer	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
ALAN VEERIAH CHETTIAR 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

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

The following is a brief biographical description, including principal occupation for at least the last five years, of each of the directors and officers of the Fund:

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.

Jocelyne M. Côté-O'Hara is 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 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).

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.

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.

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 B.E.S.T. 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 Ryerson University.

Audit Committee

The Audit Committee of the Fund is composed of Jocelyne M. Côté-O'Hara, David A. Turnbull, 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.

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 (the "Management Agreement"). 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. 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.

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.

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.

Directors and Officers 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 as at the date of this annual information form are set out below:

Name and Municipality of Residence	**Position with the Manager**	**Principal Occupation**
David Rodney Kenneth Bernard Allen, Texas, U.S.A.	Director	Global Innovation Strategy & Services, PepsiCo. Business and Information Solutions
Richard Alexander Brown Toronto, Ontario, Canada	Director	Consultant
Alan Veeriah Chettiar 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
Thomas William Robert Lunan 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) 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 B.E.S.T. Capital Administration Inc.
Robert John Roy 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.

The following is a brief biographical description for each of the directors and officers of the Manager other than those described under the heading "The Fund – Directors and Officers of the Fund".

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 18 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 1991-1997 and was Conference Chairman in 1992.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the Fund's knowledge, except as described below, in the last ten years, neither the Manager, or any director or executive officer of the Fund or the Manager has been: (i) subject to any penalties or sanctions imposed by a court or by a securities regulator relating to trading in securities, promotion or management of a publicly-traded mutual fund, theft or fraud, or entered into a settlement agreement before a court or with a regulatory body in relation to any of these matters; or (ii) subject to any other penalties or sanctions imposed by a court or regulatory body or entered into any other settlement agreement before a court or with a regulatory body that would likely be considered important to a reasonable investor in determining whether to purchase securities of the Fund. Mr. David Copeland is a director of Nuvo Research Inc., 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 Research Inc. which occurred prior to the time when Mr. Copeland became a director of Nuvo Research Inc.

Except as noted below, no director or executive officer of the Fund or the Manager is, or within the ten 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 May 1, 2009, when he resigned. MTB filed for court appointed receivership on May 5, 2009.

No director or executive officer of the Fund or Manager 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.

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 65 members in Local 164. The Sponsor, through a wholly-owned subsidiary, 1208733 Ontario Inc., 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 Sponsor, 1208733 Ontario Inc., the Sponsor's wholly-owned subsidiary ("Sponsor Corp."), B.E.S.T. Investment Counsel Limited and the Fund 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 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 6 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. William D. Duncan is a director of the Fund and a director and officer of Sponsor Corp., and Robert Spaans is a director of the Fund and a director and officer of Sponsor Corp.

Management Advisor

Management Advisor Agreement

The Manager also provides portfolio management services in connection with the Fund. 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, and entered into 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.

The principals of the Management Advisor who have primary responsibility for the investment advisory affairs of the Fund are John M.A. Richardson, Thomas W.R. Lunan and Alan V. Chettiar. Biographies for these individuals are set out under "The Fund – Directors and Officers of the Fund". Mr. Richardson has been associated with the Management Advisor since its inception (for approximately 13 years), Mr. Lunan has been associated with the Management Advisor for approximately 10 years and Mr. Chettiar has been associated with the Management Advisor for approximately 4 years. 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 head office and principal place of business of the Management Advisor is 15 Toronto Street, Suite 400, Toronto, Ontario M5C 2E3.

Under the Management Advisor Agreement, the Management Advisor is responsible for identifying, screening and analysing 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 is responsible for investment decisions with respect to investments other than the Liquid Investments of the Fund.

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.

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.

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, and entered into 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.

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 "Manager – Directors and Officers 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, and

entered into 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 Equity Trust & Transfer Company, as applicable, or their successors. 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.

Brokerage Arrangements

The Management Advisor is responsible for selecting members of securities exchanges, brokers and investment dealers for the execution of transactions in respect of the Fund's investments and, when applicable, the negotiation of commissions in connection therewith. The Fund is responsible to pay those commissions. The Management Advisor's allocation of brokerage business to companies is based on the broker or dealer's best execution, clearance and settlement capabilities and the reasonableness of the commissions or its equivalent for the specific transaction.

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).

The Custodian is authorized to appoint sub-custodians, who may be affiliates, provided that arrangements under which a sub-custodian is appointed are such that the Fund may either enforce rights directly or require the Custodian or sub-custodian to enforce rights to the property held by the sub-custodian. The Custodian may also direct a sub-custodian to appoint a sub-sub-custodian. Any sub-custodian or sub-sub-custodian must be an entity permitted to act as a mutual fund custodian pursuant to National Instrument 81-102 - *Mutual Funds*.

Auditor

The auditor of the Fund is PricewaterhouseCoopers LLP, Chartered 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 Agents

The Fund and the Manager entered into an administrative services agreement (the "Administrative Services Agreement") with the Registrar dated as of July 10, 2007 as amended July 24, 2009 and April 20, 2012 pursuant to which 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 January 31, 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 Equity Financial Trust Company (formerly known as Equity Transfer & 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 day's 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.

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 and provides investment advisory services to B.E.S.T Total Return Fund Inc., a labour sponsored investment fund.

Principal Holders of Securities

To the knowledge of the Fund, as of December 1, 2013, no person or company owned of record or beneficially, directly or indirectly, more than 10% of any series of the Class A Shares or Class L Shares. Through its 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 Management Advisor.

Other than with respect to the Class P Shares set out above, 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.

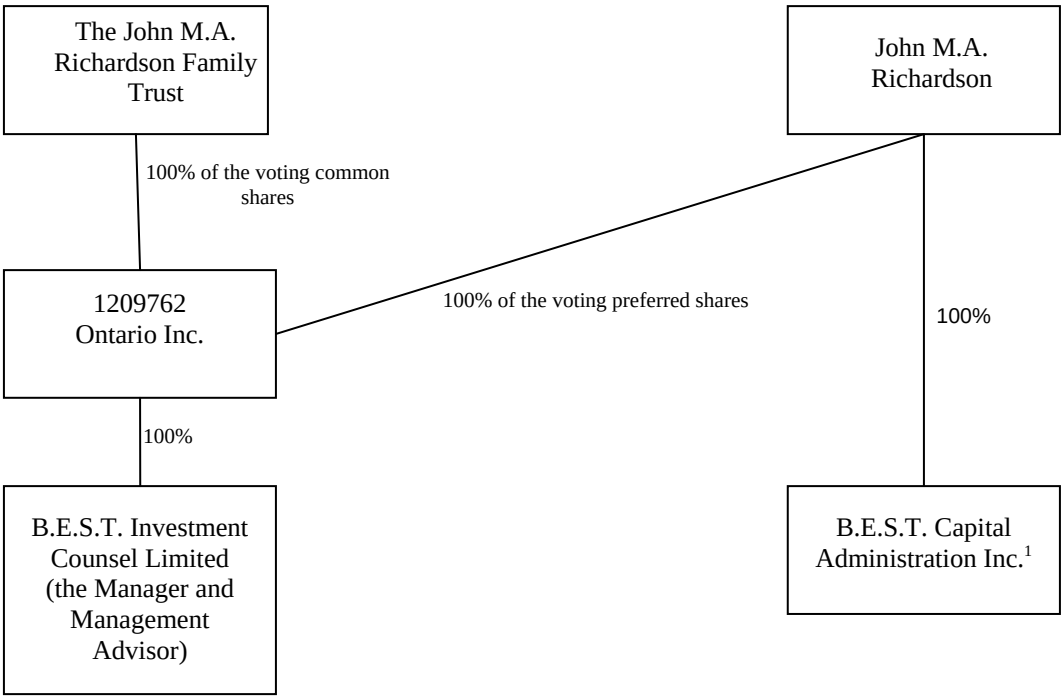
Mr. John Richardson, an officer of the Fund and an officer and director of the Manager, indirectly owns all of the issued and outstanding shares of the Manager (and the Management Advisor) and directly all of the issued and outstanding voting common shares of B.E.S.T. Capital Administration Inc., an affiliated entity of the Manager which provides services to the Manager. The Fund pays B.E.S.T. Capital Administration Inc. for certain rent and storage costs. Mr. Richardson is the President, sole director and Corporate Secretary of B.E.S.T. Captial Administration Inc. Mr. Richardson was a director of the Registrar until November 3, 2010.

The members of the IRC do not own, directly or indirectly, any securities of the Fund, the Manager or any company that provides services to the Fund or to the Manager.

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

Affiliated Entities

The chart below illustrates the relevant affiliated entities of the Manager that provide services to the Fund or the Manager but does not illustrate all affiliates of the entities shown below.



(1) B.E.S.T. Capital Administration Inc. provides staffing and overhead services to the Manager for which it is billed on a monthly basis.

John M.A. Richardson, the Chief Executive Officer of the Fund, is a director and officer of B.E.S.T. Investment Counsel Limited, the Manager and the Management Advisor, and the President, corporate secretary and sole director of B.E.S.T. Capital Administration Inc. Thomas Lunan is the Chief Financial Officer of the Fund and is an officer of B.E.S.T. Investment Counsel Limited. Alan Chettiar is the Corporate Secretary of the Fund and is an officer of B.E.S.T. Investment Counsel Limited.

Reference is made to the audited financial statements of the Fund for the fiscal year ended September 30, 2013, for particulars of all fees, charges and expenses charged to the Fund, including the amount of fees received from the Fund by B.E.S.T. Capital Administration Inc.

FUND GOVERNANCE

Independent Review Committee

Pursuant to National Instrument 81-107 – *Independent Review Committee for Investment Funds* ("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, Brent William Bere and Aleksandar Daskalovic. 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 recommendations 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 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.

Policies Regarding Business Practices

The Manager maintains policies, procedures and guidelines concerning governance of the Fund. These policies, procedures and guidelines aim to monitor and manage the business and sales practices, risk management and internal conflicts of interest relating to the Fund, and to ensure compliance with regulatory and corporate requirements. Such policies include a fair dealing policy, back office processing of the Net Asset Value policy, soft dollar arrangement policy and anti-money laundering policy. The Fund is also managed in accordance with its investment guidelines and those guidelines are monitored regularly by appropriate personnel and the Board to ensure compliance therewith.

In addition to the policies, practices or guidelines applicable to the Fund relating to the business practices, sales practices, risk management contracts or internal conflicts already disclosed in this annual information form, all employees of B.E.S.T. Investment Counsel Limited are bound by a code of ethics which, among other things, addresses proper business practices and conflicts of interest and a trading and disclosure policy which sets out the policies and procedures of the Manager with respect to trading and disclosure. See "Conflicts of Interest" in connection with the Management Advisor's policies and procedures in connection with conflicts of interest.

Proxy Voting Policies and Procedures

The Fund has adopted a policy that provides general guidance as to how the Fund will vote as a securityholder of its portfolio companies. The Board has delegated day-to-day oversight of proxy voting to the Manager. The Manager performs the following functions: (1) managing proxy voting vendors, (2) reconciling share positions, (3) analyzing proxy proposals using factors described in the guidelines, (4) determining and addressing potential or actual conflicts of interest that may be presented by a particular proxy, and (5) voting proxies. There may be circumstances where the Manager votes differently than anticipated by the guidelines, since every vote is considered on a case-by-case basis. In every case, the Manager will vote in a manner that is consistent with the best interests of the Fund. There may be circumstances when the Manager will refer proxy issues to the Board for consideration. In addition, the Board has the authority to vote proxies at any time, when, in the Board's discretion, such action is warranted.

The Fund's investments consist primarily of debt and equity investments in small, privately-held companies. It is unusual for those companies to solicit proxies. Rather, shareholders actions are usually undertaken by written resolutions of all shareholders or, in limited cases, voting at a meeting of shareholders. Accordingly, the Fund's policy extends not only to proxies, but also applies to written resolutions and voting by representatives of the Fund in person at meetings of shareholders.

In making its investments, the Manager 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. Accordingly, any matter that is dealt with by such an agreement will be voted on by the Manager in compliance with the Fund's obligations under the agreement.

On routine matters that pertain to the operations and business of a portfolio company that are not governed by an agreement, the Manager will generally vote with the management of the portfolio company. The Manager will deviate from this policy if there are significant investment implications of any issue on which the Fund is asked to vote. On non-routine matters that are not governed by an agreement, the Manager will vote on a case-by-case basis. The Manager will vote for matters that are aligned with the best interests of the Fund, and will withhold its vote on, or vote against, any matter that the Manager believes is not in the best interests of the Fund. The Manager makes its determination based on a review of the performance of the portfolio company's management, its business objectives, its future prospects and the impact of the vote on the value of the securities of the portfolio company held by the Fund.

The Manager shall authorize proxy votes that the Manager determines, in its sole discretion, to be in the best interests of the Fund. In determining how to apply the guidelines to a particular factual situation, the Manager may not take into account any interest that would conflict with the interest of the Fund in maximizing the value of shareholder investments in the Fund. From time to time, apparent conflicts of interest may arise with respect to the exercise of voting rights of the Fund such as situations where employees and officers of the Manager serve as directors of such a portfolio company. In the event that the Manager or any affiliate or associate of the Fund or Manager has a conflict of interest regarding a proxy vote, the Manager must inform the Board of the conflict and not participate in the proxy voting decision or process and refer the matter to the IRC.

The policies and procedures that the Fund follows when voting proxies relating to portfolio securities are available on request, at no cost, by calling toll-free 1-800-795-2378 or by writing to the Manager at 15 Toronto Street, Suite 400, Toronto, Ontario, M5C 2E3. The Fund will prepare a proxy voting record on an annual basis for the period ending on June 30 of such year. The Fund will promptly send the most recent copy of its proxy voting record, without charge, to any shareholder upon a request made by the shareholder after August 31 in a given year. Shareholders may call toll-free 1-800-795-2378 or write to the Manager at 15 Toronto Street, Suite 400, Toronto, Ontario, M5C 2E3. The proxy voting record is available on the Fund's website at www.bestfunds.ca.

Short-Term Trading

The Fund has not arranged for any person or company to conduct or permit short-term trades in the Fund. A significant portion of the Fund's portfolio is comprised of investments in private companies. These investments may require a number of years in order to mature and generate the returns expected by the Fund and investors. Short-term investors expose themselves to unpredictable volatility. Short-term trading can harm the Fund's performance as such trading can increase administrative costs and interfere with investment decision making on behalf of the Fund, particularly if large sums are involved. However, with respect to Class A Shares issued prior to March 1, 2012, if redemption occurs within eight years of the date of issue, the redemption will generally be subject to withholding under the Tax Act and the Ontario Act in an amount generally determined with reference to the tax credits. The unpredictable price volatility risk and the withholding are believed by the Fund to be sufficient to discourage short-term trading in Class A Shares. The Class L Shares, Series 1 are listed on the CNSX, and as a result the Fund does not have any policies or procedures relating to the monitoring, detection and deterrence of short-term trades by holders of the Class A Shares or the Class L Shares.

FEES AND EXPENSES

Management Fee

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. Upon satisfying the conditions set forth under "Incentive Participation Amount", an IPA equal to 4% of the realized gains and income earned on eligible investments in excess of a 15% annual average rate of return earned on such eligible investments shall be paid to the Manager in the form of capital gains dividends. The IPA is calculated and, if payable, paid quarterly in arrears.

Management Advisor Fee

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. Upon satisfying the conditions set forth under "Incentive Participation Amount", an IPA equal to: (i) 100% of the realized gains and income earned on eligible investments in excess of a 12% annual average rate of return on such eligible investments up to a 15% annual average rate of return on such eligible investments; and (ii) 16% of the realized gains and income earned on such eligible investments in excess of the 15% annual average rate of return earned on such eligible investments, shall be paid to B.E.S.T. Investment Counsel Limited in the form of capital gains dividends. The annual IPA is calculated and, if payable, paid quarterly in arrears.

Sales and Marketing Fee

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.

Accounting and Administrative Services Fee

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 annual accounting and administrative fee is payable to the Management Advisor monthly in arrears.

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:

(1) 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 1 Canadian chartered bank plus 2%;

(2) 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

(3) 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 relating to the payment of performance fees.

Sponsorship Fee

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.

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.

Dealer Compensation

The Fund received relief from National Instrument 81-105 – *Mutual Fund Sales Practices* to permit the Fund to pay specified distribution costs with respect to its former (now cancelled) Class A shares.

Class A Shares are not currently in continuous distribution. In future, sales commissions may be payable on the issuance of Class A Shares and Class L Shares subject to regulatory approval, and those sales commissions may vary by series.

Different service fee structures applied to each series of the former Class A shares (now cancelled). Following the Plan of Arrangement, there was no increase to the service fees payable on the respective series of the Class A Shares from the service fees payable on the former Class A shares. Regulatory approval required for the Fund to pay such service fees was not obtained and, as a result, the Fund cannot pay service fees on the Class A Shares. See "Description of Share Capital – Class A Shares – Differences Between Series of Class A Shares".

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.

INCOME TAX CONSIDERATIONS

Introduction

The following summary presents fairly as at the date hereof certain of the principal Canadian federal and Ontario income tax considerations generally applicable to Class A Shareholders and Class L Shareholders who, for the purposes of the Tax Act and the *Taxation Act, 2007* (Ontario) (the "Ontario Tax Act"), as amended, (i) are individuals (other than trusts) resident in Ontario ("Ontario Residents"), (ii) hold their shares as capital property, and (iii) deal at arm's length with, and are not affiliated with, the Fund. 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 assumption that the Fund and its officers, directors and shareholders conduct their business and affairs at all relevant times in a manner that is not contrary to the spirit and intent of the Ontario Act. This summary also addresses certain of the principal Canadian federal and Ontario income tax considerations generally applicable to trusts governed by RRSPs or RRIFs with an annuitant that is resident in Ontario, and trusts governed by TFSAs the holder of which is resident in Ontario, that hold Class A Shares.

The Fund is registered as a labour sponsored investment fund corporation under the Ontario Act. This summary assumes that the Fund will continue to be so registered at all relevant times.

This summary is based upon the current provisions of the Tax Act, the Ontario Act and the Ontario Tax Act, the regulations made pursuant to the Tax Act, and the Ontario Tax Act, the current published administrative and assessing practices of the Canada Revenue Agency (the "CRA") and the Ontario governmental authorities publicly available as of the date hereof, and specific proposals to amend such legislation and regulations announced 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 and does not, unless otherwise stated, take into account provincial or foreign income tax legislation or considerations. This summary assumes that the Tax Proposals will be enacted as proposed; however, no assurance can be provided in this regard.

This summary is of a general nature only and is not exhaustive of all possible federal and provincial income tax considerations. This summary is not intended to be, nor should it be construed to be, legal or tax advice to any particular Class A Shareholder or Class L Shareholder. Therefore, Class A Shareholders and Class L 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.

As a prescribed labour-sponsored venture capital corporation, the Fund will be 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 assumption that the Fund 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 subject to tax at applicable corporate rates.

Dividends

Any dividends received by the Fund from taxable Canadian corporations will generally not be subject to Part I and Part IV tax.

Interest and Other Investment Income

Interest and investment income, other than dividends in respect of shares of taxable Canadian corporations, will be included, net of expenses, 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 disposition 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 generally realize a capital gain (or capital loss) to the extent that the proceeds of disposition exceed (or are exceeded by) the Fund's adjusted cost base of the property and the Fund's reasonable costs of disposition. 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. 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 under the circumstances discussed below.

Dividend Refunds and Capitalization of Income

The Fund intends to make appropriate elections under the Tax Act to enable it to capitalize, on a periodic basis, sufficient amounts of its capital gains in order to minimize taxes payable on net realized capital gains. In such a case, the Fund will be deemed to have paid a dividend on its then issued and outstanding Class A Shares or Class L Shares equal to the amount added to the paid-up capital of the Class A Shares or Class L Shares and, subject to the making of the required elections, each holder of Class A Shares or Class L Shares will be generally be deemed to have received a capital gains dividend equal to the holder's proportionate share thereof even though the holder will not receive a cash distribution from the Fund. The amount of any deemed capital gains dividend attributable to an increase in the paid-up capital of the Class A Shares or Class L Shares will generally entitle the Fund to a refund of a stipulated portion of the tax otherwise payable on realized capital gains on a formula basis.

Penalty Taxes

The Ontario Act imposes various investment restrictions on the Fund (see "Investment Restrictions and Practices – Investment Restrictions – Statutory Investment Restrictions"). On or before January 31 of each year, the Fund is required to provide the Minister of Finance (Ontario) with a certificate setting out the Fund's status of its compliance with these restrictions during the previous calendar year. If the Fund fails to deliver such certificate, the Fund will be considered not to be in compliance with the investment restrictions and no further "Tax Credit Certificates" in respect of Class A Shares will be issued until the Fund delivers such certificate to the Minister of Finance (Ontario). Where the Fund is either considered not to be in compliance with the investment restrictions for failure to deliver the certificate or is otherwise not in compliance, the Fund may be liable for a penalty equal to 30 percent of the equity capital received on the issue of Class A Shares by the Fund during the time of the non-compliance.

If the Fund fails to meet or maintain the required level of eligible investments (see "Investment Restrictions – Statutory Investment Restrictions"), the Fund will generally be liable for a penalty tax equal to the amount by which (i) 15% of the amount by which the amount of the Fund's equity capital that is required to be maintained in eligible investments as of the end of the calendar year exceeds the cost to the Fund of its eligible investments at the end of such calendar year exceeds (ii) the amount of any such tax paid by the Fund in any prior year that has not been rebated to the Fund.

This penalty tax is generally refundable without interest if the Fund applies within three years after the end of the calendar year in which the tax was imposed and the Minister of Finance (Ontario) is satisfied that the Fund is maintaining the level of eligible investments and is otherwise complying with the investment requirements under the Ontario Act. If a penalty tax becomes payable by the Fund under the Ontario Act as a consequence of a failure to acquire sufficient properties of a character described in the Ontario Act's investment restrictions, a penalty tax in the same amount will be payable under the Tax Act. Where an amount of penalty tax is rebated by the Minister of Finance (Ontario), the Fund is deemed to have paid at that time an amount equal to the rebate on account of its federal tax payable under the Tax Act.

Revocation of Registration Under the Ontario Act

The Minister of Finance (Ontario) may revoke the registration of the Fund under the Ontario Act in certain circumstances, including if the Fund:

- does not comply with the restrictions in its articles of incorporation, including those 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 generally equal to the total of all Ontario Tax Credits in respect of all outstanding Class A Shares that were issued in the eight years immediately preceding the date of 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 generally reduced to the amount that would be determined if the amount

of the relevant Ontario Tax Credits had been calculated on the basis of an issue price that is equal to such fair market value.

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 object to any proposed revocation of its registration. If the Ontario registration of the Fund is revoked, the Fund would cease to be a prescribed labour-sponsored venture capital corporation and a mutual fund corporation for purposes of the Tax Act.

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 Income", 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. 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.

A holder of a Class A Share or Class L Share which is an RRSP, a RRIF or TFSA is generally exempt from tax on the amount of any dividend or deemed capital gains dividend. See "Taxation of Registered Plans".

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 be increased by the amount of any deemed capital gains dividend arising as a result of the capitalization of income described above under the heading "Taxation of the Fund – Dividend Refunds and Capitalization of Income". The Federal Tax Credit and the Ontario Tax Credit will not reduce the adjusted cost base of the Class A Shares.

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.

Any capital loss realized by a holder of Class A Shares or Class L Shares on the sale or transfer of Class A Shares or Class L Shares to an RRSP under which the holder or the holder's Spouse is the annuitant, to a RRIF under which the holder is the annuitant, or to a TFSA of the holder, will generally be deemed to be nil.

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

On the redemption of a Class A Share, the redemption proceeds will be treated as proceeds of disposition of the Class A Share and the holder thereof will be deemed to have received a capital gain (or capital loss) equal to the amount by which the redemption proceeds, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Class A Share to the holder thereof. There are restrictions on the redemption of 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 generally be subject to certain withholding taxes equal to all or a portion of the Federal Tax Credit and the Ontario Tax Credit received on the purchase of such Class A Shares. A Class A Shareholder that is liable to tax as a result of redeeming Class A Shares within eight years of the date the shares were issued is required to file a tax return estimating the tax payable by the Class A Shareholder for the year. The Fund received an advance ruling from the Ministry of Revenue (Ontario) in connection with the Plan of Arrangement that Class A Shareholders who held their shares for less than 8 years and who elected to convert their old Class A shares into new Class A Shares (Series I, II or III) in the Plan of Arrangement are deemed, for purposes of the Ontario Act, to have held their shares from the date the old Class A shares were originally purchased. If no such tax is payable in respect of Ontario Tax Credits, no such tax will be payable under the Tax Act in respect of Federal Tax Credits.

Conversion of Class A Shares to Class L Shares

A conversion by a Class A Shareholder of Class A Shares for Class L Shares will generally be deemed not to be a disposition of such Class A Shares for the purposes of the Tax Act. Accordingly, a Class A Shareholder who chooses to convert his or her Class A Shares for Class L Shares will realize neither a capital gain nor a capital loss as a result of such conversion.

Except in certain special circumstances, a holder who wishes to convert Class A Shares to Class L 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 Tax Credit and the Ontario Tax Credit received on the purchase of such Class A

Shares. The Fund received an advance ruling from the Ministry of Revenue (Ontario) in connection with the Plan of Arrangement that Class A Shareholders who held their shares for less than 8 years and who elected to convert their old Class A shares into new Class A Shares (Series I, II or III) in the Plan of Arrangement are deemed, for purposes of the Ontario Act, to have held their shares from the date the old Class A shares were originally purchased. If no such tax is payable in respect of Ontario Tax Credits, no such tax will be payable under the Tax Act in respect of Federal Tax Credits.

Minimum Tax

Taxable dividends (without application of the dividend gross-up) and capital gains dividends received or deemed to be received from the Fund and capital gains realized on the disposition of Class A Shares or Class L Shares may increase a holder's liability for alternative minimum tax. The Federal Tax Credit may not be applied to reduce a holder's liability for alternative minimum tax.

Taxation of Registered Plans

A holder of a Class A Share or Class L Share which is an RRSP, a RRIF, or TFSA will generally be exempt from tax on the amount of any dividends received from the Fund (including deemed dividends and capital gains dividends) as well as tax on the amount of any gains arising on a disposition of the Class A Share or Class L Share, provided the shares continue to be a "qualified investment" as discussed under "Eligibility for Investment". Moreover, the alternative minimum tax under the Tax Act does not apply to such RRSPs, RRIFs and TFSAs.

Distributions from an RRSP or RRIF to the annuitant are included in the income of the annuitant in the year of the distribution. In the case of a spousal or common-law partner plan as defined in subsection 146(1) of the Tax Act (a "Spousal Plan"), under certain circumstances, the distributions to the annuitant may instead be included in the income of the spouse who was the contributor to the Spousal Plan. Distributions from a TFSA are not included in the income of the holder and are not subject to tax under the Tax Act.

If Class A Shares or Class L Shares cease to be a qualified investment for an RRSP, RRIF or TFSA, the Tax Act imposes tax on the income earned on such shares. If the Class A Shares or Class L Shares become a "prohibited investment" for the purposes of the Tax Act, the Tax Act imposes tax on income reasonably attributable to such shares. Further, the holder of a TFSA or the annuitant of an RRSP or RRIF that holds the Class A Shares or Class L Shares would be subject to a tax equal to 50% of the fair market value of the shares at the time they ceased to be a qualified investment or become a prohibited investment. However, if the TFSA, RRSP, or RRIF, as the case may be, disposes of the Class A Shares or Class L Shares before the end of the year following the year in which the shares ceased to be a qualified investment, the holder will generally be entitled to a refund of tax in the year of disposition.

The Tax Act contains certain punitive rules to address the use of TFSAs, RRSPs and RRIFs in certain tax planning arrangements. Class A Shareholders and Class L Shareholders who propose to transfer their Class A Shares or Class L Shares to or from a TFSA, RRSP or RRIF should consult their own tax advisors regarding their particular situation and whether the transfer is otherwise permitted.

REMUNERATION OF DIRECTORS AND OFFICERS

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

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.

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.

MATERIAL CONTRACTS

The Fund has entered into the following contracts which are material to investors:

1) the Management Agreement referred to under "Responsibility for Fund Operations – Manager";

2) the Sponsor Agreement referred to under "Responsibility for Fund Operations – The Sponsor";

3) the Management Advisor Agreement referred to under "Responsibility for Fund Operations – Management Advisor";

4) the Administrative Services Agreement and the Class L Registrar Agreement referred to under "Responsibility for Fund Operations – Registrar and Transfer Agents";

5) the custodian agreement referred to under "Responsibility for Fund Operations – Custodian";

6) the Sales and Marketing Services Agreement referred to under "Responsibility for Fund Operations – Management Advisor"; and

7) the Administrative Agreement referred to under "Responsibility for Fund Operations – Management Advisor".

Copies of the foregoing contracts as well as the Articles of the Fund referred to under "Name, Formation and History of the Fund" may be inspected during regular business hours at the principal place of business of the Fund at 15 Toronto Street, Suite 400, Toronto, Ontario M5C 2E3.

LEGAL AND ADMINISTRATIVE 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.

RISK FACTORS

An investment in the Fund is subject to certain risk factors, including but not limited to those noted below. The Fund'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. Additional risks not known to the Fund, or that it believes

to be immaterial, may also impair the Fund's operations. If any of the following risks actually occur, the Fund's business, financial condition and operating results could be materially adversely affected.

(1) *Nature of Investments.* The Class A Shares and Class L Shares are highly speculative in nature. The business of the Fund is to make investments in small and medium-sized eligible Canadian businesses. There is no assurance that sufficient suitable investments in eligible businesses will be found in order for the Fund to fulfill its investment objective within the prescribed time periods. There is no guarantee that an investment in Class A Shares or Class L Shares will earn a specified rate of return or any return in the short or the long term. An investment in such shares is only appropriate for investors who are prepared to hold their investment in the Fund for a long period of time and who have the capacity to absorb a loss of some or all of their investment.

Investments of the kind to be made by the Fund, 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 diversification of the Fund's investment portfolio for purposes of distributing risk, the investments of the Fund are likely to mature at different times creating an irregular pattern in the net asset value per share. 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 according to the investment restrictions and policies applicable to the Fund requires a greater commitment to investment analysis than investments in most other securities. In addition, the cost to determine the value of the Fund's assets for which no published market exists will be greater than valuation costs for mutual funds which invest primarily in listed securities. Consequently, the operating expenses of the Fund will be higher than those of many mutual funds and other pooled investment vehicles. Investors should consult with a professional advisor.

(2) *Market Conditions.* Adverse market conditions and unexpected volatility or illiquidity in financial markets may adversely affect the prospects of the Fund and the value of the securities included in its investment portfolio. The Net Asset Value of the Fund is based on the value of the securities and investments in the Fund's portfolio and therefore the value of the Class A Shares and Class L Shares will increase or decrease with the value of such investments. The value of the securities and investments will fluctuate with 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.

(3) *Redemptions.* In any financial year the Fund will not be required to 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 and may suspend redemptions for substantial periods of time in such circumstances. Where a redemption request is not honoured in one year, it will be made as of the first day of the next financial year of the Fund subject to the 20% limit referred to above. Although the Fund intends to maintain at all times sufficient liquid assets to honour redemption requests up to such 20% limit, it cannot guarantee that it will be able to honour all redemption requests in the week in which they are made. The Fund is entitled to suspend the right of Class A Shareholders to redeem

Class A Shares and/or delay the date for payment of the redemption amounts in certain circumstances.

The Fund's ability to satisfy redemption requests on an ongoing basis will be influenced by a variety of factors, including the level of redemption requests experienced by the Fund, the effect of such requests upon the liquid assets of the Fund, and the ability of the Fund to generate and retain liquid assets. The majority of the Fund's investments are in private companies which are illiquid assets and, as such, the Fund may not be able to exit such investments on favourable terms to satisfy redemption requests, and the Fund may be unable to meet its investment objectives.

The Manager uses cash flow estimates to monitor and project the Fund's liquidity, including the Fund's ability to process Class A Share redemption requests in the ordinary course. If cash inflows from income and principal repayments or divestment activity are materially lower than estimated, or if levels of Class A Share redemption requests are materially higher than estimated, the Fund may not have sufficient cash available to process redemption requests in the ordinary course or make new venture investments.

The Class L Shares are not redeemable at the demand of the holder. Requests to redeem Class A Shares typically increase as the proportion of outstanding Class A Shares held for more than eight years increases. To the extent a substantial portion of the Class A Shares are redeemed, it could have a negative impact on the Fund and particularly the remaining Class A Shareholders and Class L Shareholders. If a substantial portion of Class A Shareholders choose to redeem their shares, the Fund may be required to liquidate assets at that time in order to satisfy redemption requests which could have a negative impact on the shareholders, including that the expenses of the Fund would be spread among fewer shares.

(4) *Elimination of Tax Credits.* The elimination of the Ontario Tax Credit for the 2012 and subsequent taxation years and the announcement on March 21, 2013 by the Minister of Finance (Canada) of the phase out of the Federal Tax Credit by 2017 is likely to materially reduce future sales of Class A Shares of the Fund should additional shares be offered. As a result, the availability of the funds for investment by the Fund in the future would be reduced, and the liquidity of the Fund may be adversely affected, possibly resulting in a reduction of the value of Class A Shares and Class L Shares. In addition, investors who may be issued Class A Shares in the future will not be eligible for any available Federal Tax Credit in respect of such shares unless the Fund becomes registered as a labour-sponsored venture capital corporation under the Tax Act or registered in certain other provinces offering tax credits for investments in similar constituted corporations. The Fund is currently not registered as a labour-sponsored venture capital corporation under the Tax Act or as a similar constituted corporation in any other province and there can be no assurance that the Minister of National Revenue or comparable provincial governmental authority will accept any registration application of the Fund if one is made.

(5) *Follow-On Financings.* It is likely that the portfolio companies will require additional financing after the investments made by the Fund in order to fully implement their business strategies. If the Fund is unable to raise additional capital after it has met the investment pacing requirements applicable to the Fund, 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 Fund to raise additional capital is dependent on a number of factors including the state of the capital markets and legislative changes. Shares of the Fund are not currently in continuous distribution.

(6) *Early Stage Portion of Portfolio*. Many of the businesses that the Fund invests 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 than investments typically made by other investment funds. 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. If in future the Fund is no longer considered to be a "widely-held" corporation under the Ontario Act, additional restrictions will apply to the use of the Fund's investments by its portfolio companies.

(7) *Illiquid Securities*. The Fund invests 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 Fund 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 Fund 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 Fund 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.

(8) *Management*. Investors will be relying on the business judgment, expertise and integrity of the Board and the Manager. Holders of Class A Shares and Class L Shares will be entitled to elect only one-third of the directors of the Fund, and where such number is not a whole number, the number of directors holders of Class A Shares and Class L Shares will be entitled to elect shall be rounded down to the nearest whole number. The Sponsor elects the remaining directors of the Fund.

(9) *Conflicts of Interest*. The services of the Management Advisor and its officers, directors and employees are not exclusive to the Fund. Subject to compliance with the Management Advisor's conflict of interest policy regarding its relationship with the Fund, the Management Advisor and its officers, directors and employees will be providing similar services and devoting a portion of their time to other investment activities, directorships and offices. These activities may result in certain conflicts of interest in allocating investment opportunities available to the Management Advisor among the Fund and its other clients. Certain conflict of interest matters relating to the operation of the Fund must be referred to the IRC.

(10) *Credit Risk.* Credit risk is the risk that the issuer (including a company, government or other entity) of a bond or other fixed income security cannot pay interest or repay principal when it is due. This risk is lower 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 may 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 Fund 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.

(11) *Valuations*. If additional Class A Shares are offered, the Fund will offer 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/or Class A Shares, Series VI at the net asset value per the applicable series of shares as at the end of each weekly valuation update period or such shorter period as may be approved by the Senior Officers. The Fund will also generally redeem Class

A Shares at such prices. See "Description of Share Capital – Class A Shares – Redemption by Holders". These valuation updates are based on estimates of the fair value of the Fund's assets for which there is, in most cases, no published market. This valuation process 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 inaccurate, existing investors may gain a benefit or suffer a loss. The value attributed to investments of the Fund may be significantly lower than the value which may be actually realized in the event that the Fund has to liquidate such investments. Additional Class L Shares, if offered, may be issued at prices determined by the Board.

(12) *Lack of Liquidity*. No formal market, such as a stock exchange, exists at present through which the Class A Shares may be sold and none is expected to develop. There are restrictions on the redemption of Class A Shares. See "Description of Share Capital – Class A Shares – Redemption by Holders". Consequently, holders of Class A Shares may not be able to sell their Class A Shares and Class A Shares may not be accepted as collateral for loans. Class A Shares may be converted to Class L Shares after two years from their date of issuance.

(13) *Market for Securities and Volatility of Trading Price*. There can be no assurance that an active and liquid market for the Fund's Class L Shares will develop and an investor may find it difficult to resell the Class L Shares. There can be no assurance that an active trading market in the Class L Shares will be sustained. The market price for the Class L Shares could be subject to wide fluctuations, which could include an adverse effect on the market price of the Class L Shares. 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 Class L Shares may be maintained. Trading in the Class L Shares of the Fund may be halted at other times for other reasons, including for failure by the Fund to submit documents to the exchange in the time periods required.

Class L Shares may trade in the market at a premium or discount to the net asset value per Class L Share and there can be no assurance that Class L Shares will trade at prices that reflect their net asset value. Class L Shares have historically traded in the market at a discount to the net asset value per Class L Share. The trading price of the Class L Shares will fluctuate in accordance with the changes in the net asset value per Class L Share, as well as market supply and demand for Class L Shares on the CNSX. This risk is separate and distinct from the risk that the market price of the Class L Shares may decrease.

(14) *Potential Dilution*. Class A Shares are convertible into Class L Shares after two years from their date of issuance on the basis of their respective net asset values which may cause dilution for Class L Shareholders. In addition, to the extent new shares of a class are issued in future, existing shareholders may suffer further dilution.

(15) *Non-Compliance with Investment Requirements*. The Fund will be subject to special taxes and penalties if it does not comply with the investment requirements of the Ontario Act. Investments will be made by the Fund from time to time based upon covenants by investee companies that the proceeds of such investments will be used for purposes permitted by the Ontario Act. In the event the investee company does not use the proceeds for such purposes, the Fund may be subject to certain penalties. If a penalty tax becomes payable by the Fund under the Ontario Act, generally a penalty tax in the same amount will be payable under the Tax Act. See "Income Tax Considerations." The investment performance of the Fund may be

adversely affected if the Fund becomes subject to such special taxes and penalties or if its registration is revoked.

(16) *Revocation of Registration*. The Fund's registration may be revoked if it does not comply with the investment requirements in the Ontario Act. If the Fund's registration under the Ontario Act is revoked, Class A Shares may cease to be qualified investments for RRSPs, RRIFs and TFSAs and the Fund would cease to be a mutual fund corporation and a prescribed labour-sponsored venture capital corporation for the purposes of the Tax Act. See "Income Tax Considerations" and "Eligibility for Investment".

(17) *Mutual Fund Rules*. Many of the rules normally applicable to mutual funds operating in Ontario are not applicable to the Fund. In particular, rules directed at ensuring liquidity and diversification of investments and certain other investment restrictions and practices normally applicable to mutual funds do not apply to the Fund. The Fund 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.

(18) *Legislative Changes.* Changes may be introduced to federal or Ontario legislation that may be unfavourable and impair the Fund's ability to attract future investment capital and its investment performance or otherwise adversely affect the Fund. As a result, the availability of funds for investment by the Fund and the return to investors in the Fund could be reduced, thereby decreasing the Fund's ability to fulfill its investment objectives.

(19) *Non-cash Distributions*. Individuals holding Class A Shares and Class L Shares outside of a trust governed by a RRSP, RRIF or TFSA may be liable for the payment of tax upon the deemed receipt by the holder of a capital gain dividend for which the holder did not receive a distribution from the Fund with which to pay such tax.

(20) *Different Series of Shares*. The Fund is a corporation with multiple issued classes of shares, with the Class A Shares divided into series and Class L Shares issuable in series. It is a single legal entity. Class A Shares are issuable in series because of the differing fee structures. Depending upon the performance of the investment portfolio, the return achieved by each series may differ. Technically, if any series of a class of shares cannot meet its obligations, the assets associated with the other series or classes may be required to be used to pay for those obligations.

(21) *Additional Financings*. In future and subject to any necessary regulatory approvals, the Fund may seek to obtaining 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 shareholders to experience dilution.

(22) *Tax Matters*. Tax authorities may reassess the tax liabilities of the Fund, or apply interpretations of applicable tax laws or change such laws, in a manner that adversely affects the Fund. In that case, the Fund may have to pay more taxes or be subject to interest and penalties, which may reduce the value of the Class A Shares and the Class L Shares. Pursuant to new U.S. tax legislation (the Foreign Account Tax Compliance Act), most Foreign Financial Institutions (as defined in the legislation), which may include the Fund, may be required to enter into a withholding and reporting agreement with the Internal Revenue Service (the "IRS"). The legislation is designed to provide additional reporting to the IRS

with respect to income earned by U.S. citizens having investments outside of the United States. The consequences could be significant for individuals who do not provide the required information in a timely manner and for the Fund should withholding and reporting requirements not be met. At this time, it is anticipated that the specific consequences to the Fund will not be material, although compliance costs may cause an increase in the operating expenses of the Fund. The Manager will continue to monitor the potential impact of this new legislation on the Fund as the legislation is finalized.

Additional information about the Fund is available in the Fund's management reports of fund performance and financial statements. A copy of these documents may be obtained from your dealer or the Manager upon request at no cost:

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These documents and other information about the Fund, such as information circulars and material contracts, are also available at www.bestfunds.ca or at www.sedar.com.