



**Tier One Capital Limited Partnership  
Management Discussion and Analysis  
September 30, 2014**

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **September 30, 2014**

*On July 11, 2014, Tier One Capital Limited Partnership ("Tier One Capital" or the Limited Partnership) purchased substantially all the assets of The Business, Engineering, Science & Technology Discoveries Fund Inc.(the "Fund"). This Management's Discussion and Analysis ("MD&A"), dated November 28, 2014, presents an analysis of the financial position of Tier One Capital as at September 30, 2014 and the results of operations for the year ended September 30, 2014 compared to the audited financial statements of the Fund for the year ended September 30, 2013. All dollar amounts in this MD&A are reported in Canadian dollars, unless otherwise stated. Regulatory filings for Tier One Capital may be found on SEDAR at [www.sedar.com](http://www.sedar.com), while other information related to the Limited Partnership is published on the Limited Partnership website at [www.tier1capital.ca](http://www.tier1capital.ca).*

### **International Financial Reporting Standards**

The financial statements of the Limited Partnership have been prepared in compliance with International Financial Reporting Standards ("IFRS"), including IAS 34 "Interim Financial Report", as published by the International Accounting Standards Board. The Financial information for the period ended September 30, 2013 is that of the Fund prior to the Transaction.

### **Forward-looking Statements**

Certain information contained in this MD&A constitutes forward-looking information, which is information relating to possible events, conditions or results of operations of the Limited Partnership, which are based on assumptions about future economic conditions and courses of action and which are inherently uncertain. All information other than statements of historical fact may be forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "target", "intend", "could", "might", "should", "believe", and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. Forward-looking information in this MD&A includes, but is not limited to, statements with respect to: the Limited Partnership's investment approach, objectives and strategy, including its focus on specific sectors; the structuring of its investments and its plans to manage its investments; the

Limited Partnership's financial performance; and its expectations regarding the performance of certain sectors.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Limited Partnership believes that the expectations reflected in the forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct. Some of the risks and other factors which could cause results to differ materially from those expressed in forward-looking information contained in this MD&A include, but are not limited to: the nature of the Limited Partner's investments; the available opportunities and competition for its investments; the concentration of its investments in certain industries and sectors; the Limited Partnership's dependence on its manager and management team; risks affecting the Limited Partnership's investments; global political and economic conditions; investments by the Limited Partnership in private issuers which have illiquid securities; management of the growth of the Limited Partnership; exchange rate fluctuations; and other risks and factors discussed in this MD&A under "Risk Factors".

Although the Limited Partnership has attempted to identify important factors that could cause actual events or results to differ materially from those described in forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated. Readers are cautioned that the foregoing list of risks and factors is not exhaustive. The forward-looking information contained in this MD&A is provided as at the date of this MD&A, based upon the opinions and estimates of management and information available to management as at the date of this MD&A, and the Limited Partnership undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law. Readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A.

#### Note Regarding Non-IFRS Financial Measures

This document contains references to "net asset value" (basic and fully diluted) ("Net Asset Value" or "NAV"), which is a non-IFRS financial measure. The Limited Partnership calculates basic NAV by subtracting the aggregate fair value of the liabilities of the Limited Partnership from the aggregate fair value of the assets of the Limited Partnership on the date on which the calculation is being made and NAV per share as NAV divided by the total number of Limited Partnership Units of the Limited Partnership outstanding as at a specific date. Fully diluted NAV is calculated by taking basic NAV and accounting for any dilutive impact of outstanding

securities of the Limited Partnership that are convertible into or exercisable for common shares as if they had been converted or exercised. The term “net asset value per unit” does not have any standardized meaning according to IFRS and therefore may not be comparable to similar measures presented by other companies or limited partnerships. Management believes that the measure can provide information useful to the unitholders of the Limited Partnership in understanding the Limited Partnership’s performance and facilitate the comparison of the results of its ongoing operations, and may assist in the evaluation of the Limited Partnership’s business, relative to that of its peers.

### About Tier One Capital Limited Partnership

Tier One Capital Limited Partnership (the “Limited Partnership”) is a limited partnership formed under the laws of the Province of Ontario. The Limited Partnership became a limited partnership effective on February 21, 2014, the date of filing of its declaration of Limited Partnership. The General Partner of the Limited Partnership is T1 General Partner LP (the “General Partner”), a limited partnership formed under the laws of the Province of Ontario. The general partner of the General Partner is T1 General Partner Corp., a corporation incorporated under the laws of Ontario.

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

The principal address of the Limited Partnership, the General Partner and the general partner of the General Partner is 15 Toronto Street, Suite 400, Toronto, Ontario, M5C 2E3.

### Business Strategy

#### *Investment Objectives*

The Limited Partnership’s investment objective is to provide a return on investment for Limited Partners and provide regular cash distributions. The General Partner intends to make regular distributions, which would be assessed on a quarterly basis, to the Limited Partners, having

regard to the income received or anticipated to be received from the portfolio companies held by the Limited Partnership as well as the fees, expenses and other obligations of the Limited Partnership.

### *Investment Strategies*

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

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

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

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

### *Investment Characteristics*

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

- A capable management team with a clear market orientation.

- A feasible business strategy which fully describes the business and its growth potential in terms of revenues, profits, assets, and cash flow.
- Evidence of a market for the business, technology, product or services.
- A commitment to innovation, rapid market expansion, high-growth, high gross margins, and the ability to obtain a dominant market position.
- The ability to leverage government grant or tax programs to offset research and development and other growth investments.
- The opportunity for at least one representative of the General Partner to be elected as a member of the board of directors or to participate as an observer at meetings of the board of directors of the investee company within the equity portfolio.

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

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

#### *Source of Investment Opportunities*

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

The success of the Limited Partnership will depend largely on its ability to identify attractive investment opportunities and to invest in the most appropriate of them. The General Partner relies on networks in the investment community to assist in identifying appropriate investment opportunities for the Limited Partnership. The Limited Partnership is expected to also receive proposals directly from businesses seeking financing and co-operate with other investors in identifying, structuring and negotiating investments. Participation with other investors in well-structured attractive investments will increase the Limited Partnership's investment opportunities. The Limited Partnership may also invite other investors to participate in selected

transactions originated by B.E.S.T. Investment Counsel Limited (the “LP Investment Advisor”) or the Limited Partnership.

### *Form of Investments*

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

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

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



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

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

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

### Results of Operations

	Three months ended September 30		Twelve month period ended September 30		
	2014	2013	2014	2013	2012
Interest income	662,441	494,536	2,040,155	1,995,873	2,322,379
Other income	153,748	290,433	394,352	482,187	991,168
Net realized gain (loss) on disposals of investments and marketable securities	-300,946	-1,164,463	-1,869,576	-1,246,031	54,518
Net change in unrealized gain (loss)	10,413	565,794	489,246	-103,618	-5,436,547
	525,656	186,300	1,054,177	1,128,411	-2,068,482
Total expenses	354,842	553,544	2,361,377	2,706,065	3,509,284
Net gain (loss) on remeasurement of Class A redeemable shares	1,047	-138,754	-499,647	-684,142	-2,934,869
Net and comprehensive income	169,767	-228,490	-807,553	-893,512	-2,642,897
Earnings (loss) per Unit (share)	0.08	-0.17	-0.36	-0.43	-1.26
Total assets	33,985,465	34,503,012	33,985,465	34,503,012	39,902,993
Total liabilities	1,077,154	13,697,180	1,077,154	13,697,180	18,203,649
Net asset value	32,908,311	20,805,832	32,908,311	20,805,832	21,699,344
Units outstanding	2,751,518	2,100,911	2,751,518	2,100,911	2,100,911
Net asset value per unit	11.96	9.90	11.96	9.90	10.33

#### Footnotes:

1. Information for the periods ending September 30, 2013 and 2012 are for the predecessor entity, The Business, Engineering, Science & Technology Discoveries Fund Inc.
2. The above figures have been generated from the financial statements of the Limited Partnership and the Fund which have been prepared in compliance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board and applied consistently from the preparation of the Fund's opening IFRS Statement of Financial Position at October 1, 2011 and throughout all periods presented.
3. The presentation and functional currency is the Canadian dollar.

### **Three Months Ended September 30, 2014**

The Limited Partnership reported a net gain on investments at fair value through profit and loss of \$525,656 which is a significant improvement from the same period last year when the Fund reported a net gain on investments at fair value through profit and loss of \$186,300. Interest and other income increased to \$662,441 compared to the same period last year when interest and other income of \$494,536 was reported. Realized loss on the sale of investments was \$300,946 and unrealized gain on investments was \$10,413. Interest income is higher as the Limited Partnership concentrates on investing in high yield interest bearing venture investments.

Total expenses of the Limited Partnership for the period were \$354,842 for the three months ended September 30, 2014 compared to \$553,544 reported in the same period last year. The decrease in expenses is due to lower management fees, advisory fees, selling costs and sponsor fees. The Limited Partnership structure has eliminated expenses such as some selling expenses and the sponsor fees. Since the Limited Partnership closed the transaction with the Fund, it has been able to reduce most of the administrative expenses such as shareholder reporting expenses and custodian fees. The audit expenses were higher during the year due to costs associated with the strategic review of the Fund which resulted in the formation of the Limited Partnership and the wind-up of the Fund. The Limited Partnership expects that the operating expenses should remain low due to lower management fees, lower transfer agent and administration fees and lower director fees and expenses.

During the three months ended September 30, 2014, the Limited Partnership made a distribution to the General Partner for the General Partner Priority Profit Share in the amount of \$201,408. In accordance with the Limited Partnership Agreement, the General Partner is entitled to a share in the profits of the Limited Partnership calculated quarterly equal to one quarter of 2.68% of the total assets of the Limited Partnership as of the last day of each calendar quarter.

### **Year ended September 30, 2014**

The total assets of the Limited Partnership as at September 30, 2014 were \$33,985,465 compared to the year ended September 30, 2013 when total assets were \$34,503,012. This represents a decrease of 1.50% in the total assets from the prior year. This decrease is due to redemptions of the Fund's Class A Shares, realized losses on investments and unrealized depreciation on investments.

The Limited Partnership reported a net gain on investments at fair value through profit and loss of \$1,054,177. Interest and other income was \$2,434,507 compared to the prior year when interest and other income of \$2,478,060 was reported. Realized loss on the sale of investments

was \$1,869,576 and unrealized gain on investments was \$489,246. Interest income is lower due to the lower balance of interest bearing venture investments in the portfolio during the year.

Total expenses of the Limited Partnership before the incentive participation amount were \$2,004,319 for the year ended September 30, 2014 compared to \$2,402,184 reported last year. The decrease in expenses is due to lower management fees, advisory fees, selling costs and sponsor fees resulting from the lower average net asset value of the Fund during the year. Legal expenses were higher during the year due to costs associated with the strategic review of the Fund which resulted in the formation of the Limited Partnership. During the year, the Limited Partner reported an incentive participation amount of \$357,057 of which \$647,360 was paid or payable on realized gains and income and \$290,303 represented the decrease in the contingent incentive participation amount for unrealized gains and income. The contingent incentive participation amount is the amount that might become payable at a future date on the realized income and gains and unrealized appreciation in the investment portfolio, based on the assumption that all the investments are liquidated at the estimated fair value as at September 30, 2014.

During the year ended September 30, 2014, the Fund reported net redemptions of \$1,833,524. The Fund was open for redemptions from October 1, 2013 until February 3, 2014 when the Fund announced the Fund's special meeting of shareholders to consider a transaction which would allow the shareholders of the Fund to exchange their shares for units of a newly formed limited partnership. The transaction was approved by shareholders at a meeting on March 28, 2014 and on July 11, 2014, the transaction became effective.

The Fund and the Limited Partnership made new cash investments in venture companies in the amount of \$7,493,750 including: ArticAX Inc. for \$550,000, Datazen Inc. for \$350,000, Dealer-FX Group Inc. for \$650,000, Dejero Labs Inc. for \$1,700,000, AcuityAds Inc. for \$500,000, Cognivue Corp. for \$200,000, Couch Commerce Inc. for \$300,000, ERMS Corporation for \$75,000, Geminare for \$200,000, Intelligent Mechatronic Systems Inc. for \$1,168,750, PitchPoint Solutions Inc. for \$1,400,000, Skura Corp. for \$250,000 and Signifi Inc. for \$150,000.

### **Year ended September 30, 2013**

The total assets of the Fund as at September 30, 2013 were \$34,503,012 compared to the year ended September 30, 2012 when total assets were \$39,902,993. This represents a decrease of 13.53% in the total assets of the Fund from the prior year-end. This decrease was due to redemptions of the Fund's Class A Shares, realized losses on investments and unrealized depreciation on investments.

The Fund reported net gain on investments at fair value through profit and loss of \$1,128,411. Interest and other income was \$2,478,060 for the year, realized loss on the sale of investments was \$1,246,031 and unrealized depreciation on investments was \$103,618. Interest income is lower due to the lower balance of interest bearing venture investments in the portfolio during the year.

Total expenses of the Fund before the gain on remeasurement of Class P shares (incentive participation amount) were \$2,402,184 for the year ended September 30, 2013. Management fees, advisory fees, selling costs and sponsor fees were all lower due to the lower average net asset value of the Fund during the year. Legal expenses were higher during the year due to higher costs for the annual filings, compliance and expenses related to the Fund's investments and other related matters. During the year, the Fund reported an incentive participation amount of \$303,881 of which \$437,877 was paid or payable on realized gains and income and \$133,996 represented the change in the contingent incentive participation amount for unrealized gains and income. The contingent incentive participation amount is the amount that might become payable at a future date on the realized income and gains and unrealized appreciation in the investment portfolio, based on the assumption that all the investments are liquidated at the estimated fair value as at September 30, 2013.

During the year ended September 30, 2013, the Fund reported net redemptions of \$3,511,327. The Fund was open for redemptions from July 24, 2012 until June 24, 2013 at which time the Fund closed to further redemptions. The Fund limited the aggregate redemptions of Class A Shares in the year in accordance with its articles of incorporation. Redemption requests received by the Fund from June 24, 2013 to October 4, 2013 were processed with a trade date of October 4, 2013. At September 30, 2013, redemptions in the amount of \$284,834 were waiting to be processed on the October 4, 2013 trade date.

The Fund made new investments in venture companies in the amount of \$8,982,000 including: AcuityAds Inc. for \$607,000, Couch Commerce Inc. for \$970,000, Echoworx Inc. for \$2,350,000, ERMS Corporation for \$990,000, Intelligent Mechatronic Systems Inc. for \$1,360,000, PowerBand Global Inc. for \$405,000, Questrade Inc. for \$720,000 and Skura Corp. for \$570,000.

### **Liquidity and Capital Resources**

At September 30, 2014, the Limited Partnership had a cash balance of \$6,499,122. On September 14, 2014, the Limited Partnership closed the first tranche of a non-brokered private placement for aggregate gross proceeds of \$3,282,034. The first tranche of the private placement was comprised of 622,777 Units at a price of \$5.27 per Unit. The Units are subject to resale restrictions pursuant to applicable securities laws requirements and will not be freely tradable until January 16, 2015.

On October 20, 2014, the Limited Partnership closed the second tranche of a non-brokered private placement for aggregate gross proceeds of \$4,785,618 (the “Private Placement”). The second tranche of the Private Placement is comprised of 908,087 Units for gross proceeds of \$4,785,618 at a price of \$5.27 per Unit. The Units are subject to resale restrictions pursuant to applicable securities law requirements and will not be freely tradable until February 21, 2015.

The Limited Partnership paid a placement fee representing 5% of the gross proceeds together with issuing 36,817 broker warrants equal to 3% of the total number of Units sold, in each case excluding the Units issued to affiliates of the General Partners of the Limited Partnership. Each broker warrant will entitle the holder thereof to purchase one Unit at \$5.27 for a period of 12 months from the closing date.

The proceeds of the Private Placements will be used to purchase high yield debt securities with attractive coupons.

## Investments

Description	Maturity	Cost	Fair Value
<b>Cash (19.75%)</b>		\$6,499,122	\$6,499,122
<b>Public Companies Investments (0.12%)</b>			
Cymat Technologies Ltd., Common Shares		\$55,800	\$5,890
TransGaming Inc., Common Shares		\$69,731	\$32,038
<b>Total Public Company Investments</b>		\$125,531	\$37,928
<b>Venture Investments (81.35%)</b>			
<b>Industrial and Financial (22.75% of total venture investments)</b>			
Brompton Corporation, Common Shares			
CNSX Markets Inc., Common Shares			
Couch Commerce Inc.			
Promissory Note, 14.50%	August 22, 2015		
Promissory Note, 14.50%	April 4, 2016		
ERMS Corporation			
Promissory Note, 20.00%	January 15, 2015		
Preferred Shares			
Common Shares			
logen Corporation, Common Shares			
nCrowd Inc., Promissory Note, 8.00%	September 24, 2019		
<b>Total Industrial and Financial</b>		\$14,399,235	\$6,082,823
<b>Technology (77.25% of total venture investments)</b>			
AcuityAds Inc.			
Promissory Note, 16.50%	January 9, 2016		

Common Shares			
ArcticAx Inc.			
Promissory Note, 21.00%	September 1, 2014		
Common Share Purchase Warrant	July 6, 2014		
Cognivue Corp.			
Promissory Note, 16%	December 17, 2015		
Common Share Purchase Warrant	December 17, 2016		
Datazen Inc., Promissory Note, 15.50%	July 20, 2015		
Dealer-Fx Group Inc.			
Promissory Note, 13.50%	September 28, 2016		
Common Share Purchase Warrant	March 28, 2019		
Dejero Labs Inc.			
Promissory Note, 16.50%	April 15, 2019		
Common Share Purchase Warrant	April 15, 2019		
DisclosureNet Inc.			
Preferred Shares			
Preferred Shares			
Common Shares, Class A			
Common Shares, Class B			
FileTrek Inc.			
Class A Preferred Shares			
Class A1 Preferred Shares			
Common Shares			
Geminare Inc.			
Preferred Shares			
Common Shares Class B			
Common Shares			
Health Care Services International Inc., Common Shares			
Hipplay Inc., Common Shares			
Infonaut Inc., Common Shares			
Intelligent Mechatronic Systems Inc.			
Promissory Note, 15.00%	February 5, 2015		
Promissory Note, 15.00%	September 15, 2015		
Common Share Purchase Warrant	December 5, 2018		
PitchPoint Solutions Inc.			
Convertible Debenture, 12%	November 18, 2016		
Common Share Purchase Warrant	November 18, 2016		
PowerBand Global Inc.			
Common Share Purchase Warrant	October 2, 2015		
Common Share Purchase Warrant	October 2, 2015		
Skura Corp.			
Promissory Note, 14.00%	September 13, 2016		
Common Share Purchase Warrant	September 13, 2018		

Spinco (4515218 Canada Inc.)			
Special Voting Shares			
Series A, Exchangeable Preferred Shares			
Series B, Exchangeable Preferred Shares			
Series C, Exchangeable Preferred Shares			
Shareholderco (7182171 Canada Inc.)			
Special Voting Shares			
Non-voting Common Shares			
TransGaming Inc.			
Promissory Note, 10.00%	July 5, 2016		
Common Share Purchase Warrant	July 5, 2018		
Common Share Purchase Warrant	July 6, 2016		
<b>Total Technology Venture Investments</b>		\$26,520,696	\$20,650,037

## Outstanding Capital

The interests of the Limited Partners are represented by Units. The Units are treated as equity as they are not redeemable at the option of the Limited Partner.

<b>Issued</b>	<b>Number of Units 2014</b>
Limited Partner Units:	
Balance forward from prior period	-
Issued on Transaction	2,128,741
Issued from treasury on private placement	622,777
Balance at end of period	2,751,518

The Limited Partnership issued 2,128,741 Units to shareholders of the Fund for the acquisition of substantially all the assets of the Fund. The Limited Partnership issued 622,777 Units on the closing of the private placement.

### Broker warrants

The Limited Partnership issued warrants to brokers (“Broker Warrants”) as compensation for the distribution of Units. At September 30, 2014 there were 9,575 Broker Warrants outstanding. The Broker Warrants are exercisable into one Unit each at the exercise price of \$5.27. The Broker Warrants expire on September 15, 2015.

## Related Party Transactions

T1 General Partner Corp. is a wholly-owned subsidiary of 1209762 Ontario Inc. The General Partner's sole business activity will be the management of the Limited Partnership.

B.E.S.T. Investment Counsel Limited is deemed to be a related party. See section "Contractual Obligations".

John Richardson, the Chief Executive Officer of T1 General Partner Corp., is a director, officer and indirectly controls all of the voting securities of B.E.S.T. Investment Counsel Limited.

John Richardson participated in the Private Placement both directly and through BEST Capital Administration Inc., a corporation that is wholly-owned by Mr. Richardson and acquired 303,605 Units for aggregate consideration of \$1,600,000. BEST Capital Administration acquired 294,767 Units for \$1,553,422.09 and Mr. Richardson personally acquired 8,838 for a total consideration of \$46,576.26.

Following completion of the subscription, Mr. Richardson owns or controls, directly and indirectly through BEST Capital Administration Inc., 441,731 Units or approximately 17.18% of the total units issued and outstanding as at September 30, 2014.

The Units were acquired for investment purposes. Mr. Richardson may from time to time acquire additional securities of the Limited Partnership, dispose of some or all of such securities or maintain his current securities position. The purchase by Mr. Richardson of the Units was exempt from the prospectus requirements otherwise applicable to distributions of securities of a reporting issuer since each of Mr. Richardson and BEST Capital Administration Inc. is an "accredited investor" in accordance with Section 2.3 of National Instrument 45-106 – Prospectus and Registration Exemptions.

## Contractual Obligations

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



TMX Equity Transfer Services, (the “LP Transfer Agent”), has been appointed as registrar and transfer agent in respect of the Units.

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

PricewaterhouseCoopers LLP is the auditor for the Limited Partnership.

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

### Critical Accounting Estimates and Judgements

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Significant estimates include the fair value of venture investments. The valuation of venture investments determines the amount of expenses such as the management fees and the incentive participation amount. While management believes that the estimates used in preparing its financial statements are reasonable and prudent, actual results could differ from these estimates. The process of valuing venture investments is inevitably based on inherent uncertainties and the resulting values will 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 materially from those realized on forced sale or liquidation.

The Limited Partnership recognizes a contingent incentive participation amount that might become payable at a future date on the realized income and gains and unrealized appreciation in the investment portfolio, based on the assumption that all the investments are liquidated at the estimated fair value as at the date of the financial statements.

### Future Accounting Changes

The final version of IFRS 9, Financial Instruments, was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking ‘expected loss’ impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more

timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however is available for early adoption. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Limited Partnership is in the process of assessing the impact of IFRS 9 and has not yet determined when it will adopt the new standard.

### Risk Factors and Risk Management

There were no significant or material changes to the Limited Partnership's risk factors and risk management during the period ended September 30, 2014. The risk factors are described in detail in the Management Proxy Circular dated February 24, 2014 for the Business, Engineering, Science & Technology Discoveries Fund Inc. which can be found on SEDAR ([www.sedar.com](http://www.sedar.com)). Additional risks not currently known to the Limited Partnership or the General Partner or that are currently considered to be immaterial, may also negatively impact the business of the Limited Partnership.