



Tier One Capital Limited Partnership
Management Discussion and Analysis
June 30, 2015

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MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

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 August 14, 2015, presents an analysis of the financial position of Tier One Capital as at June 30, 2015 and the results of operations for the period ended June 30, 2015 compared to the financial statements of the Fund for the period ended June 30, 2014 and the financial position of Tier One Capital as at December 31, 2014. This MD&A should be read in conjunction with the financial statements of the Limited Partnership and the Fund. 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, while other information related to the Limited Partnership is published on the Limited Partnership website at www.tier1capital.ca.

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.

[International Financial Reporting Standards](#)

The financial statements of the Limited Partnership have been prepared in compliance with International Financial Reporting Standards ("IFRS"). The financial information for periods ending prior to September 30, 2014 is that of the Fund prior to the Transaction.

[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 primarily invests 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 is focused on funding rapidly-growing Canadian companies by providing them with the capital needed to execute their growth strategies and acquisition plans. Target companies typically have strong and growing recurring revenue streams and may include companies in the technology, healthcare and financial services industries. The Limited Partnership is focused on companies in the expansion phase of development. In addition, the Limited Partnership may acquire previously issued securities of portfolio companies from the holders of such securities. The Limited Partnership is not subject to any investment restrictions regarding any particular sector, industry or stage of development. The investment size is usually in the range of \$1 million 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 Limited Partnership'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. Capital not invested in eligible businesses will be used for the general purposes of the Limited Partnership.

Investment Characteristics

The Limited Partnership is most interested in rapidly-growing emerging markets and in businesses that can achieve dominance in their respective niches.

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 the investment, 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.

Source of Investment Opportunities

The General Partner uses 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.

Results of Operations

	Three months ended					
	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
Interest income	899,261	706,751	420,430	662,441	256,310	443,503
Other income	1,500	18,847	70,476	153,748	230,373	55,206
Net realized gain (loss) on disposals of investments and marketable securities	24,870	-	(4,971,643)	(300,946)	428,234	(410,484)
Net change in unrealized gain (loss)	(14,995)	(33,012)	5,018,425	10,413	(907,606)	27,424
Total expenses	910,636	692,586	537,688	525,656	7,311	115,649
Net gain (loss) on remeasurement of Class A redeemable shares	-	-	-	1,047	(244,274)	(200,981)
Net and comprehensive income	672,936	491,381	180,092	169,767	(374,346)	(375,875)
Earnings (loss) per Unit (share)	0.18	0.13	0.06	0.08	(0.18)	(0.18)
Total assets	40,500,798	38,458,058	38,696,171	33,984,465	31,372,693	31,903,667
Total liabilities	3,774,441	1,412,948	1,318,608	1,077,154	11,418,990	11,570,618
Net asset value	36,726,357	37,045,110	37,377,563	32,908,311	19,953,703	20,333,049
Units outstanding	3,659,605	3,659,605	3,659,605	2,751,518	2,100,911	2,100,911
Net asset value per unit	10.04	10.12	10.21	11.96	9.50	9.68

	Three months ended		
	December 31, 2013	September 30, 2013	June 30, 2013
Interest income	507,184	494,536	352,377
Other income	125,742	290,433	165,806
Net realized gain (loss) on disposals of investments and marketable securities	(1,897,001)	(1,164,463)	68,165
Net change in unrealized gain (loss)	1,796,923	565,794	(45,644)
	532,848	186,300	540,704
Total expenses	683,111	553,544	701,850
Net gain (loss) on remeasurement of Class A redeemable shares	(53,345)	(138,754)	(67,191)
Net and comprehensive income	(96,918)	(228,490)	(93,955)
Earnings (loss) per Unit (share)	(0.05)	(0.17)	(0.04)
Total assets	32,587,424	34,503,012	34,781,538
Total liabilities	11,878,510	13,697,180	13,741,567
Net asset value	20,708,914	20,805,832	21,039,971
Units outstanding	2,100,911	2,100,911	2,100,911
Net asset value per unit	9.86	9.90	10.01

Footnotes:

1. Information for the periods ending June 30, 2014, March 31, 2014, December 31, 2013, September 30, 2013 and June 30, 2013 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 June 30, 2015

The Limited Partnership reported a net gain on investments at fair value through profit and loss of \$910,636 for the three months ended June 30, 2015. This compares to a net gain on investments of \$7,311 in the same period last year and a net gain on investments of \$692,586 in the prior quarter ended March 31, 2015. The substantial increase on the net gain on investments is due mainly to interest income on venture investments of \$899,261. In the comparable period last year the Fund recording of a net unrealized loss of \$907,606 which eliminated most of the net gains on investments for the period. Interest income for the three month period ended June 30, 2014 was \$256,310. The net gain on investments increased from the prior quarter due to

higher reported interest income as the Limited Partnership focused on its investment strategy of investing in high debt of venture issuers.

Total expenses for the three month period ended June 30, 2015 was \$237,700 compared to \$201,205 in the prior quarter ended March 31, 2015 and \$630,931 in the same period last year. The decline in the expenses is a result of the change in the structure from a mutual fund to a limited partnership which entailed changes to the management and administrative contracts. Substantial cost reductions were achieved in transfer agent, registrar and administrative expenses, legal fees, director expenses and advisor fees.

Six months ended June 30, 2015

The Limited Partnership reported a net gain on investments at fair value through profit and loss of \$1,603,222 for the six months ended June 30, 2015. This compares to a net gain on investments of \$122,960 in the prior year six-month period ended June 30, 2014. The substantial increase on the net gain on investments from the comparable period last year is due to the recording of a net unrealized loss of \$880,182 in the six months ended June 30, 2014. The net gain on investments increased from the prior year six-month period ending June 30, 2014 due to higher reported interest income as the Limited Partnership focused on its investment strategy of investing in high yield debt of venture issuers.

Total expenses for the six months ended June 30, 2015 were \$438,905 compared to \$1,323,426 for the six month period ended June 30, 2014. The decline in the expenses is due to lower transfer agent, registrar and administrative expenses, legal fees, director expenses and advisor fees. Since the Limited Partnership was converted from the predecessor fund, the Limited Partnership has been able to realize substantial cost reductions for almost all of its operating expenses.

During the six months period ended June 30, 2015, the Limited Partnership made new cash investments in venture companies in the amount of \$15,255,000 including: Cognivue Corp. for \$250,000, Dealer-FX Group for \$2,050,000 and FinanceIT Canada Inc. for \$7,510,000, Intelligent Mechatronic Systems Inc for \$1,130,000, Mobify Research and Development Inc. for \$1,500,000, GroupBy Inc. for \$500,000 and Electronic Systems Software Inc. for \$1,900,000.

Liquidity and Capital Resources

As at June 30, 2015, the Limited Partnership had cash resources of \$56,675.

The Limited Partnership established a credit facility with B.E.S.T. Leveraged Tier One Capital LP (the "Lender"). The Limited Partnership is able to borrow up to 50.00% of the Limited Partnerships net asset value. Each advance is subject to the interest at the rate of 7% per annum, accrued daily and payable monthly in arrears. If the principal of an advance is not repaid within

10 months of the date of the advance, the interest rate for the 11th month will be 8% per annum. If the principal of an advance is not repaid within 11 months of the date of the advance, the interest rate for the 12th month will be 9% per annum. The Limited Partnership also pays an administration fee of 3.00% of the amount advanced and an advance fee of \$2,500 at the time of each advance. The maturity date of each advance is no later than 12 months from the date of the advance. The purpose of the credit facility is to provide additional capital to the Limited Partnership, together with the capital provided by its limited partners, to permit the Limited Partnership to continue to undertake its investment activities. The credit facility is secured by a fixed security interest in all of the Fund's assets as set out in a General Security Agreement. As at June 30, 2015, the outstanding advances to the Limited Partnership under the credit facility were \$2,200,000.

Distributions

On January 13, 2015, the Limited Partnership announced the approval of its 2015 distribution plan which included plans to make distributions of \$0.125 per unit on each of January 30th, 2015, April 30th, 2015, and July 30th, 2015. The January 30th, 2015 distribution was made to holders of the holders of record on January 21, 2015. The April 30, 2015 distribution was made to holders of record on April 20, 2015. The July 30, 2015 distribution was made to holders of record on July 20, 2015. The General Partner will review the Limited Partnerships income in the fourth quarter of 2015 and make a determination regarding a fourth distribution at that time. The distribution plan is subject to further review and amendment by the General Partner.

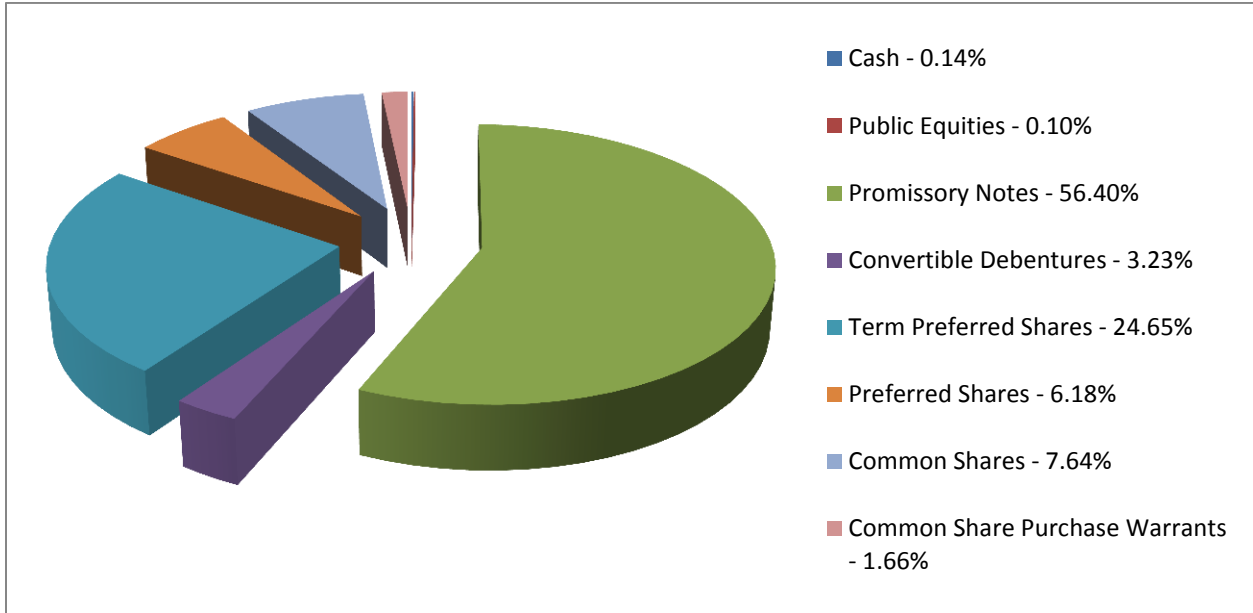
Annualized Distribution Amount per Unit	\$0.50
Quarterly Distribution Amount Per Unit	\$0.125
Total Annualized Distribution	\$1,829,803
Share Price at June 30, 2015	\$7.35
Annualized Yield (based on price at June 30, 2015)	6.80%

Portfolio Update

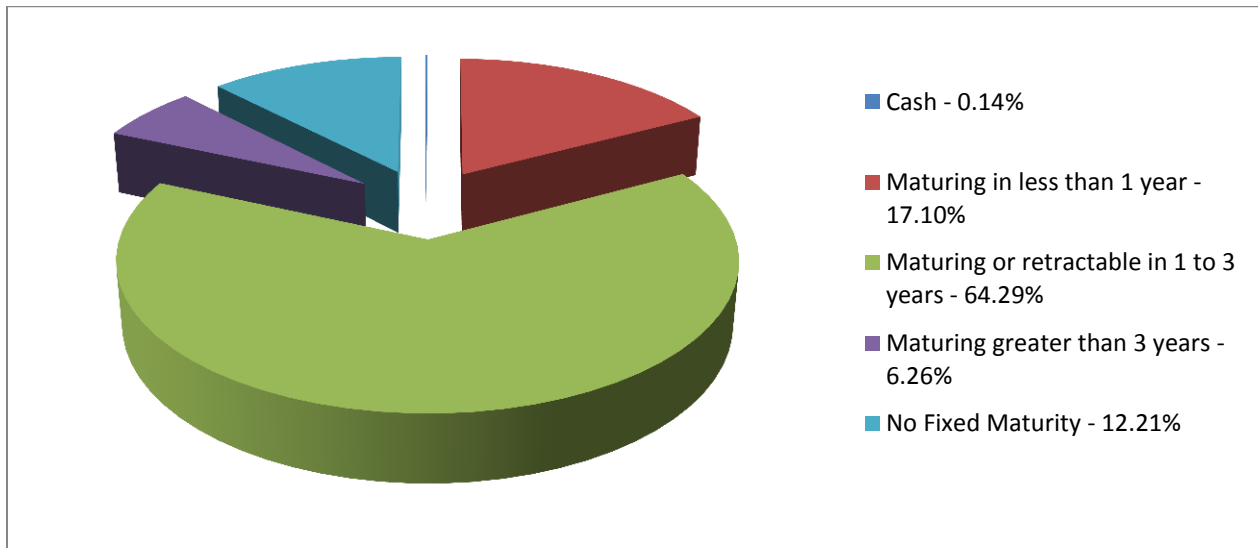
Capital deployed for the three month period ended June 30, 2015 was \$15,255,000. There were three new investments made during the six month period ended June 30, 2015. In addition, \$11,355,000 was invested in existing company investments during the period.

Investments

Investments by Security Type



Investments by Date Maturity



Outlook

Our focus continues to be on investing in interest generating securities in rapidly-growing companies. We have continued to seek new opportunities which generate a yield for investors and allow the Limited Partnership to make regular distributions.

As at June 30, 2015, the Limited Partnership had \$22,981,970 or approximately 58% of its venture portfolio invested in interest generating securities. The weighted average coupon on these investments was 14.68%.

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.

Issued	Number of Units June 30, 2015	Number of Units December 31, 2014
Limited Partner Units:		
Balance forward from prior period	3,659,605	-
Issued on Transaction	-	2,128,741
Issued from treasury on private placement	-	1,530,864
Balance at end of period	3,659,605	3,659,605

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 1,530,864 Units on the closing of two tranches of a private placement for \$5.27 per Unit for total gross proceeds of \$8,067,653. The Units are subject to resale restrictions pursuant to applicable securities law requirements. The first tranche became freely tradeable on January 16, 2015 and the second tranche became freely tradeable on 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.

Broker warrants

The Limited Partnership issued warrants to brokers (“Broker Warrants”) as compensation for the distribution of Units. At June 30, 2015 there were 36,817 Broker Warrants outstanding. The

Broker Warrants are exercisable into one Unit each at the exercise price of \$5.27. Of the total Broker Warrants 9,575 expire on September 15, 2015 and 27,242 expire on October 20, 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.

Mr. Richardson owns or controls, directly and indirectly through BEST Capital Administration Inc., 441,731 Units or approximately 12.07% of the total Units issued and outstanding as at June 30, 2015.

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

Investors in Units of the Limited Partnership should consider the following risk factors which could have a material adverse affect on the Limited Partnership's investments, future prospects, cash flows, results of operations or financial condition and the Limited Partnership's ability to make cash distributions to holders of the Limited Partnership Units. The list of risk factors is not exhaustive and other risks may exist that may have a material effect on the value of Limited Partnership Units.

Nature of Investments

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

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

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

Composition of Limited Partnership Investments

The composition of the portfolio companies held by the Limited Partnership taken as a whole may be concentrated by type of security, industry or geography, resulting in those investments being less diversified than anticipated. Overweighting investments in certain sectors or industries

involves risk that the Limited Partnership will suffer a loss because of declines in the prices of securities in those sectors or industries.

Investments in Privately-Held Small and Mid-Sized Companies

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

Follow-On Financings

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

External Factors

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

Limited Partnership intends to invest in portfolio companies with strong management teams, there can be no assurance that the company will be operated successfully.

Early Stage Portion of Portfolio

Many of the businesses that the Limited Partnership 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. There can be no assurance that such products will be successfully developed, be capable of being produced in commercial quantities at reasonable costs or be successfully marketed.

Use of Leverage

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

Illiquid Securities

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

Credit Risk

Credit risk is the risk that the company, government or other entity (including a special purpose vehicle) that issued a bond or other fixed income security (including asset backed and mortgage backed securities) cannot pay interest or repay principal when it is due. This risk is lowest among issuers that have a high credit rating from a credit rating agency. It is highest among issuers that

have a low credit rating or no credit rating. Investments with a lower credit rating usually offer a better return than higher grade investments, but have the potential for substantial loss as well as gain. High yielding, higher risk income securities in which the Limited Partnership invests are subject to greater risk of loss of principal and income than higher rated fixed income securities, and are considered to be less certain with respect to the issuer's capacity to pay interest and repay principal.

Interest Rate Risk

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

Subordination of Investments

The Limited Partnership's portfolio companies may have, or may be permitted to incur, other debt, or issue other equity securities, that rank equally with, or senior to, the investments held by the Limited Partnership. By their terms, such instruments may provide that the holders are entitled to receive payment of dividends, interest or principal on or before the dates on which the Limited Partnership is entitled to receive payments in respect of its investments. These debt instruments would usually prohibit the portfolio companies from paying interest or repaying the Limited Partnership's investments in the event and during a continuance of a default under such debt.

Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of securities ranking senior to the Limited Partnership's investment in that portfolio company typically are entitled to receive payment in full before the Limited Partnership receives any distribution in respect of its investment. After repaying such holders, the portfolio company may not have any remaining assets to use for repaying its obligations to the Limited Partnership. In the case of securities ranking equally with the Limited Partnership's investments, the Limited Partnership would have to share on an equal basis any distributions

with other security holders in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

Fluctuations in Quarterly Results

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

Management

Investors will be relying on the business judgment, expertise and integrity of the General Partner and B.E.S.T. Investment Counsel Limited. The unexpected loss or departure of any key officers, employees or consultants from the General Partner or B.E.S.T. Investment Counsel Limited could be detrimental to the Limited Partnership's future operations. In addition, there is no assurance that the Limited Partnership will continue to have access to key persons or their information and deal flow.

Performance Allocation

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

Possible Effect of Distributions to the General Partner

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

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

Allocations of Net Income

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

Possible Loss of Limited Liability of Limited Partners

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

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

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

Status of the Limited Partnership

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

Nature of Investment

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

Restriction on Ownership of Units

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

Valuations

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