



**Tier One Capital Limited Partnership**  
**Management Discussion and Analysis**  
**Three months ended March 31, 2021**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

### March 31, 2021

*This Management's Discussion and Analysis ("MD&A"), dated May 14, 2021, presents an analysis of the financial position of Tier One Capital Limited Partnership (the "Limited Partnership") as at March 31, 2021 and the results of operations for the three-month period ended March 31, 2021 compared to the financial statements for the three-month period ended March 31, 2020 and the financial position of the Limited Partnership as at December 31, 2020. This MD&A should be read in conjunction with the financial statements of the Limited Partnership. All dollar amounts in this MD&A are reported in Canadian dollars, unless otherwise stated. Regulatory filings for the Limited Partnership 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's website at [www.tier1capital.ca](http://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") as issued by the International Accounting Standards Board. The financial statements

have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

### 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 principal address of the Limited Partnership is 161 Bay Street, Suite 2460, Toronto, Ontario, M5J 2S1. The principal address of the General Partner and the general partner of the General Partner is 647 Robson Road, Waterdown, Ontario, L8B 1H2.

### 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.

#### *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.

### Outlook

#### Public Markets

The public markets continued to see new highs. On April 29, 2021, the TSX Composite Index closed at 19,440, a new record high for the index. The S&P 500 Index has had a similar experience. On April 29, 2021, the S&P 500 reached a record high of 4,218.

We expect the stock markets to continue to be strong but to rise at a more measured pace. As some economies begin to open after successful vaccination campaigns, we expect to see stronger growth to support the record high stock market valuations. In addition to significant stimulus packages in the US and Canada, central banks have indicated their willingness to maintain low interest rates through the next year which should further support the stock market valuations.

#### Venture Capital and Venture Debt

On April 19, 2021, the Government of Canada tabled the federal budget which included a renewed commitment to invest up to CAD \$450 million to support Canada’s innovation ecosystem, underrepresented entrepreneurs, critical life science companies, and economic recovery through the Venture Capital Catalyst Initiative (VCCI).

The follow-on program builds on seven years of success and experience garnered through the Venture Capital Action Plan (VCAP) and then VCCI. The programs leverage government funds with private sector investment.

The VCAP program has been successful in supporting innovation and growth across Canada. According to the CVCA, at the end of 2019, the matching funds had been invested into 347 high potential Canadian firms that have raised in excess of \$2.3 billion from all sources. Collectively, the 178 companies involved in the program reported supporting 23,500 Canadian jobs, experienced an average annual growth rate of 36%, and derived an average of 57% of their annual revenues from export markets.

A portion of the renewed VCCI is dedicated life sciences and is part of a \$2.2 billion government investment in the life sciences sector, which is a recognition of the sector’s strategic position to help fuel our economic recovery while offering the potential to deliver solutions for future healthcare challenges.

### The Limited Partnership

During the three-month period ended March 31, 2021, the Limited Partnership deployed approximately \$40,000 into limited partnership interests in PA Direct Credit Opportunities Fund LP (“PADCOF”). The Limited Partnership’s investment in PADCOF has a targeted return of 10 to 12% net return per annum. During the period, the Limited Partnership disposed of its investment in MAC Financial Recovery (Canada) Inc. (“MAC”) and a portion of its interest in Iogen Corporation, Class C Shares for total proceeds of approximately \$645,000. The Limited Partnership achieved an IRR on its investment in MAC of 56.0% to April 30, 2021 and continues to receive royalty payment on this investment.

On May 14, 2021, the Limited Partnership, upon approval from the Board of Directors, adjusted the value of one of its portfolio investments in the energy sector. The change results in an increase in the value of the investment by \$3,416,551. The increase reflects circumstances subsequent to March 31, 2021. The change results in an increase in the total equity attributable to limited partners of \$3,416,551 or \$0.78 on a per Unit basis.

The focus of the Limited Partnership continues to be on investing in interest generating securities in rapidly growing companies and managing the existing portfolio investments. The Limited Partnership will seek new investment opportunities which generate a yield for investors and allow the Limited Partnership to continue to make regular distributions. In addition to interest income, the Limited Partnership is looking to realize on its equity investments in common shares and common share purchase warrants. The Limited Partnership is actively reviewing all its equity holdings to identify opportunities and situations where it might be able to realize value on its equity investments.

## Results of Operations

### Highlights

	March 31	December 31	September 30	June 30	March 31	December 31	September 30	June 30
	2021	2020	2020	2020	2020	2019	2019	2019
<b>Closing Trading Price on CSE</b>	\$3.20	\$3.55	\$3.65	\$3.85	\$4.75	\$5.00	\$5.10	\$4.40
<b>Trading Volume</b>	38,418	33,375	32,452	23,846	69,694	35,466	93,020	139,940
<b>Trading Value</b>	\$136,880	\$122,699	\$124,316	\$108,123	\$327,390	\$173,949	\$443,850	\$630,172

The Limited Partnership is traded on the Canadian Securities Exchange (CSE) under the symbol “TLP.UN”. The closing price of the Units on the Canadian Securities Exchange (CSE: TLP.UN) was \$3.20 on March 31, 2021 compared to the closing price of \$3.55 on December 31, 2020. The net gain per Unit attributable to limited partners after allocations to the General Partner was \$0.03 for the three-month period ended March 31, 2021 compared to net gain after allocations to the General Partner of \$0.03 per Unit for the three-month period ended March 31, 2020.

The Limited Partnership made distributions to Limited Partners at the rate of \$0.125 per Unit for quarterly distributions in January 2021 and April 2021. The annualized yield on the Units based on the closing price of the Units on March 31, 2021 was 15.6% compared to a yield of 14.1% on December 31, 2020. The higher annualized yield is due to the lower closing price for the Units on March 31, 2021. The Board of Directors of the Limited Partnership has approved a distribution plan for the fiscal year ending December 31, 2021 of \$0.50 per Unit paid quarterly.

### Quarterly Results

	March 31	December 31	September 30	June 30	March 31	December 31	September 30	June 30
	2021	2020	2020	2020	2020	2019	2019	2019
<b>Interest income (loss)</b>	\$101,479	\$174,806	\$205,569	\$107,706	\$149,247	\$247,602	\$184,415	\$157,307
<b>Other income</b>	\$54,031	\$114,680	\$122,756	\$13,049	\$28,252	\$69,201	\$20,311	\$48,649
<b>Net realized gain (loss) on disposals of investments and marketable securities</b>	\$197,437	\$1,969	(\$1,182)	-	-	\$61,816	\$2,395,038	\$324,800
<b>Net change in unrealized gain (loss)</b>	\$129,868	(\$1,303,868)	\$1,726,196	(\$172,163)	\$224,583	(\$552,861)	(\$712,476)	\$656,387
<b>Net gain (loss) on investments at fair value through profit and loss</b>	\$482,815	(\$1,012,413)	\$2,053,539	(\$51,408)	\$402,082	(\$174,242)	\$1,887,288	\$1,187,143
<b>Expenses before General Partner Priority Profit Allocation</b>	\$127,583	\$262,896	\$235,531	\$269,800	\$176,090	\$92,042	\$128,695	\$148,927
<b>Net and comprehensive income (loss) before General Partner Priority Profit Allocation</b>	\$355,232	(\$1,275,309)	\$1,818,008	(\$321,208)	\$225,992	(\$266,284)	\$1,559,025	\$1,038,216
<b>General Partner Priority Profit Allocation</b>	\$161,845	\$184,825	\$167,631	\$174,554	\$180,492	\$193,626	\$199,568	\$187,642
<b>Net and comprehensive income (loss)</b>	\$193,387	(\$1,460,134)	\$1,650,377	(\$495,762)	\$45,500	(\$459,910)	\$1,559,025	\$850,574
<b>Performance allocation to General Partner</b>	\$45,000	\$13,941	\$8,325	\$24,159	(\$90,359)	\$402,385	\$27,007	\$232,336
<b>Net income (loss) attributable to Limited Partners</b>	\$148,387	(\$1,474,075)	\$1,642,052	(\$519,921)	\$135,859	(\$862,295)	\$1,532,018	\$618,238
<b>Net income (loss) attributable to Limited Partners per Unit</b>	\$0.03	(\$0.34)	\$0.38	(\$0.12)	\$0.03	(\$0.21)	\$0.37	\$0.15
<b>Distributions to Limited Partners</b>	\$539,134	\$536,932	\$534,109	\$527,047	\$520,712	\$514,708	\$508,367	\$503,218
<b>Performance Allocation paid or payable to General Partner</b>	-	-	-	\$514,882	\$1,149,439	-	-	-
<b>Total assets</b>	\$21,673,899	\$22,043,935	\$23,857,635	\$23,182,277	\$23,905,414	\$25,366,294	\$26,144,625	\$24,855,452
<b>Limited Partners Interest</b>	\$20,903,499	\$21,229,659	\$23,177,329	\$21,983,583	\$22,781,570	\$22,929,974	\$24,088,331	\$22,847,302
<b>Units outstanding</b>	4,331,090	4,313,075	4,295,450	4,272,874	4,216,376	4,165,699	4,117,666	4,066,936
<b>Limited Partners Interest per Unit</b>	\$4.83	\$4.92	\$5.40	\$5.14	\$5.40	\$5.50	\$5.85	\$5.62

Footnotes:

1. The above figures have been generated from the interim and annual financial statements of the Limited Partnership which have been prepared in compliance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board and applied consistently throughout all periods presented.
2. The presentation and functional currency is the Canadian dollar.

*Three months ended March 31, 2021*

The Limited Partnership reported a net gain on investments at fair value through profit and loss of \$193,387 for the three-month period ended March 31, 2021. This compares to net gain on investments of \$45,500 in the same period last year. The Limited Partnership reported interest and other income of \$155,510 during the three-month period ended March 31, 2021 compared to interest and other income of \$177,183 during the three-month period ended March 31, 2020. The Limited Partnership reported net realized gains of \$197,437 and unrealized appreciation on investments and cash in the amount of \$129,868 during the period. Details of the change in unrealized appreciation (depreciation) on the investments and unrealized foreign exchange gains on cash are presented below.

<b>Change in unrealized appreciation/(depreciation)</b>	<b>Description</b>
(\$84,003)	Decrease in value of limited partnership interests
\$33,661	Increase in value of Healthcare sector investments
\$193,410	Increase in value of publicly traded securities
<b>\$143,068</b>	<b>Total net change in unrealized depreciation of investments</b>
(\$13,200)	Decrease due to unrealize loss on foreign currency cash balances
<b>\$129,868</b>	<b>Total net change in unrealized depreciation of investments and cash</b>

Total expenses before the General Partner Priority Profit Allocation for the three-month period ended March 31, 2021 were \$127,583 compared to \$176,090 in the same period last year. The expenses were lower in the period mainly due to lower professional and legal fees. The General Partner Priority Profit Allocation for the three-month period ended March 31, 2021 was \$161,845 compared to \$180,492 during the same period last year.

#### Liquidity and Capital Resources

As at March 31, 2021, the Limited Partnership had cash on hand of \$1,397,624 (December 31, 2020: \$1,644,180). The Limited Partnership realizes cash flow from the collection of interest and other income on its debt investments and from the sale and maturity of portfolio investments. The Limited Partnership's primary liquidity needs include: paying operating expenses of the Limited Partnership, funding distributions to Limited Partners and the General Partner, and making new investments.

#### *Operating Activities*

Cash flow from operating activities consists of net and comprehensive loss, plus non-cash items such as unrealized appreciation/depreciation on investments, non-cash interest and other income and adjustments for non-cash balances related to operations. Cash flow from operating activities also includes purchases, sales and maturities of investments. During the three-month period ended March 31, 2021, the Limited Partnership reported a net inflow of cash from operating activities of \$227,991. This compares to a net inflow of cash from operating activities of \$6,232,845 during the three-month period ended March 31, 2020. Interest received during the three-month period ended March 31, 2021 was \$97,917 compared to \$173,757 in the same period last year.

During the three-month period ended March 31, 2021, the Limited Partnership made cash investments of \$39,477 (2020: \$286,659) in venture investments and placed \$2,999,700 (2020: \$13,486,772) in short-term investments. During the three-month period ended March 31, 2021 the Limited Partnership realized \$812,935 (2020: \$1,764,938) on the disposal of venture investments and \$2,499,575 (2020: \$18,472,740) on the maturity of short-term investments. The balance of the cash flow from operating activities is due to operating expenses and the General Partner Priority Profit Allocation.

### *Distributions to Limited Partners*

The Limited Partnership made distributions of \$0.125 per unit on January 29, 2021 and April 30, 2021. The total cash distributions made to Limited Partners for the three-month period ended March 31, 2021 was \$474,547 (2020: \$284,263). Distributions to Limited Partners in the amount of \$64,587 (2020: \$236,449) were reinvested under the Distribution Reinvestment Plan.

Annualized Distribution Amount per Unit	\$0.50
Quarterly Distribution Amount Per Unit	\$0.125
Unit Price at March 31, 2021	\$3.20
Annualized Yield (based on Unit price at March 31, 2021)	15.63%

### *Distributions to General Partner*

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

The General Partner may be entitled to an additional share of the net income of the Limited Partnership if certain conditions are satisfied (the “Performance Allocation”). The Performance Allocation shall be calculated as an amount equal to the aggregate of: (a) 100% of the realized gains and income earned on investments in portfolio companies in excess of a 12% annual average rate of return on such investments up to and including a 15% annual average rate of return on such investments; and (b) 20% of the realized gains and income earned on such investments in excess of the 15% annual average rate of return earned on such investments.

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

To the extent that the net income of the Limited Partnership is insufficient in any year or period to fully allocate an amount equal to the Priority Profit Allocation and the Performance Allocation for the year or period to the General Partner, the differential may be carried forward and factored into the allocation of the net income of the Limited Partnership in subsequent years or periods, including in the year or period in which the termination of the General Partner occurs. The Priority Profit Allocation and the Performance Allocation must be approved by the independent directors of the Board of Directors of the general partner of the General Partner. Under the Limited Partnership Agreement there is no mandatory distribution of these amounts, but rather there is discretion as to whether these amounts can be paid out of the Limited Partnership, depending on whether it is in the best interest of the Limited Partnership with consideration for the current and expected future net income and cash resources of the Limited Partnership.

During the three-month period ended March 31, 2021, the Limited Partnership made cash distributions to the General Partner in the amount of \$184,826 (2020: \$193,627) for the General Partner Priority Profit Allocation. As at March 31, 2021, the Limited Partnership had a payable to the General Partner for the General Partner Priority Profit Allocation in the amount of \$161,845 (December 31, 2020: \$184,826). As at March 31, 2021, the Limited Partnership had allocated \$459,378 (December 31, 2020: \$414,378) for the Performance Allocation to the General Partner. The Limited Partnership paid a cash Performance Allocation to the General Partner during the three-month period ended



March 31, 2021 of \$Nil (2020: \$1,149,439) and as at March 31, 2021 had a payable to the General Partner for the Performance Allocation in the amount of \$Nil (December 31, 2020: \$Nil).

## Portfolio Update

Total cash investments in venture investments during the three-month period ended March 31, 2021:

### Investments

Company	Industry	Security	Amount
PA Direct Credit Opportunities Fund II (Offshore) L.P.	Diversified Limited Partnership	Limited Partnership Interest	\$39,477

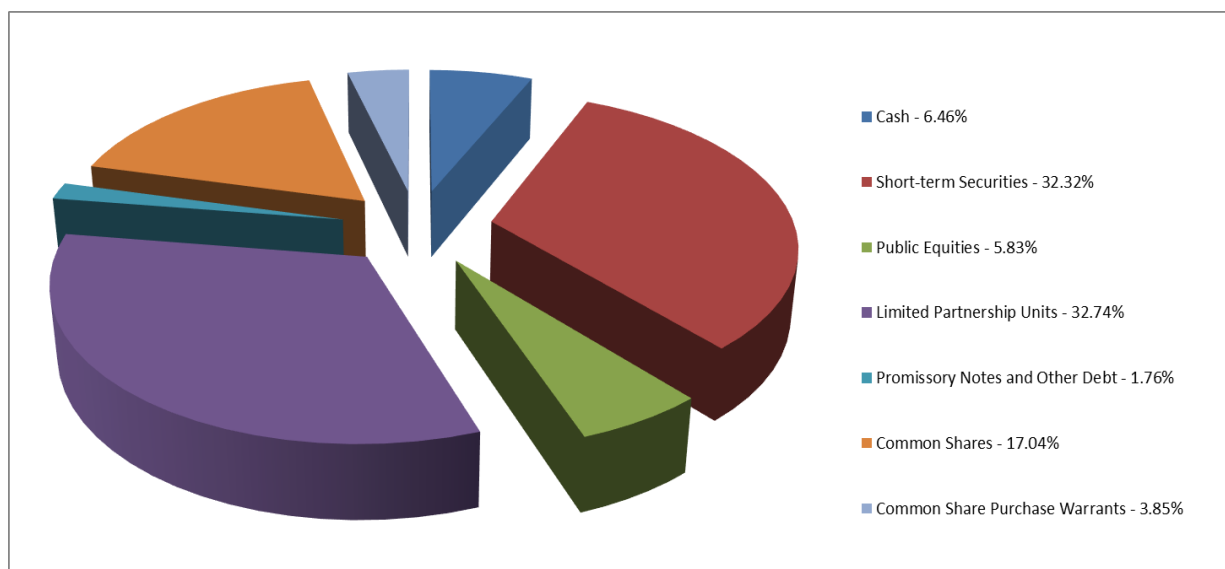
### Dispositions, Repayments and Maturities

Total cash proceeds on the disposal of venture investments during the three-month period ended March 31, 2021:

Company	Security	Amount
Iogen Corporation	Class C Common Shares	\$82,972
MAC Financial Recovery (Canada) Inc.	Promissory Note, 11.50%, due April 10, 2020	\$561,819
PA Direct Credit Opportunities Fund II (Offshore) LP	Limited Partnership Interest	\$168,144
<b>Total Proceeds</b>		<b>\$812,935</b>

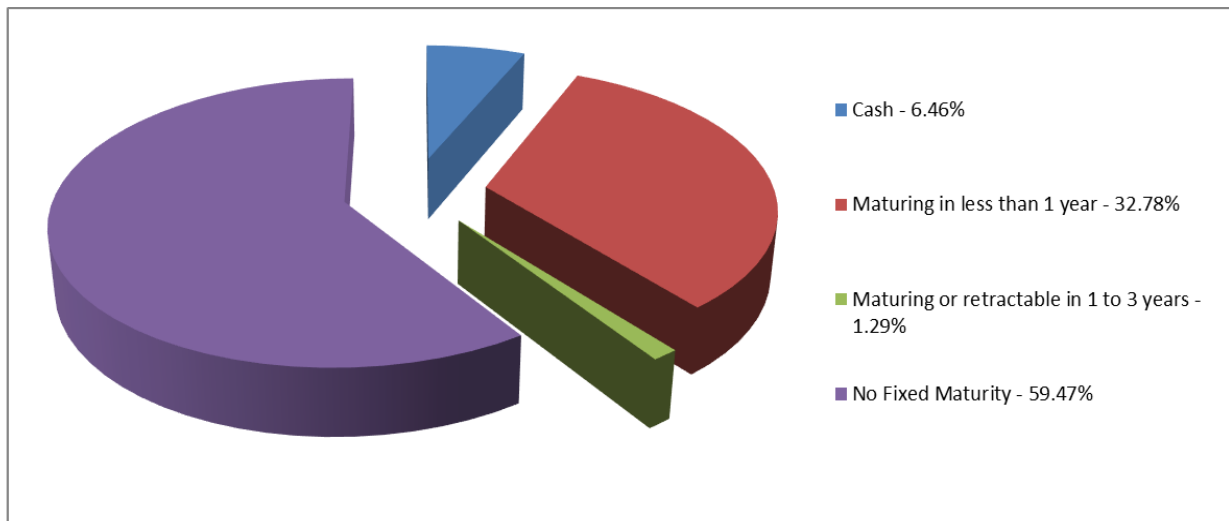
## Investments

### Investments by Security Type



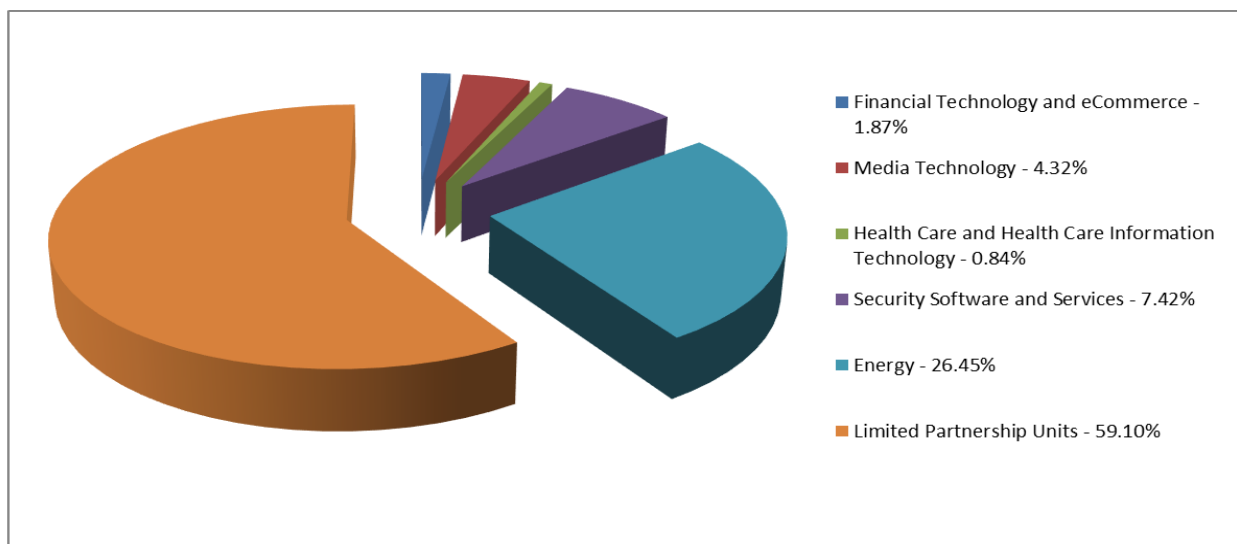
The table above shows the allocation of the Limited Partnership's investments by type of security plus cash based on the proportion of the total fair value of the investment portfolio plus cash held by the Limited Partnership as at March 31, 2021.

*Investments by Date Maturity*



The table above shows the allocation of the Limited Partnership’s debt investments by maturity date of the security plus cash based on the proportion of the total fair value of the investment portfolio plus cash held by the Limited Partnership as at March 31, 2021. Securities with no fixed maturity date include equity investments held by the Limited Partnership.

*Venture Investments by Industry Classification*



The table above shows the allocation of the Limited Partnership’s venture investments by industry classification based on the proportion of the total fair value of the venture investment portfolio as at March 31, 2021.

## Outstanding Capital

The interests of the Limited Partners are represented by Units.

<b>Issued</b>	<b>Number of Units Period ended March 31, 2021</b>	<b>Number of Units Year ended December 31, 2020</b>
Limited Partner Units:		
Balance forward from prior year	4,313,075	4,165,699
Issued on Distribution Reinvestment Plan	18,015	147,376
Balance at end of period	4,331,090	4,313,075

### *Distribution Reinvestment Plan*

The Limited Partnership has implemented a distribution reinvestment plan (the “DRIP”). Unitholders that participate in the plan can choose to have their cash distributions reinvested in new Units of the Limited Partnership. The price for the new Units is determined by the General Partner and is equal to 96% of the volume weighted average trading price of Units on the Canadian Securities Exchange for the twenty trading days immediately preceding the relevant distribution date. Fractional Units are not distributed. During the three-month period ended March 31, 2021, the Limited Partnership issued 18,015 Units (March 31, 2020: 50,677) pursuant to the Distribution Reinvestment Plan.

### Related Party Transactions

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

John Richardson, the Chief Executive Officer of T1 General Partner Corp., is a director, officer and indirectly controls all the voting securities of 1209762 Ontario Inc.

Mr. Richardson owns or controls, directly and indirectly through BEST Capital Administration Inc., 676,503 Units or 15.62% of the total Units issued and outstanding as at March 31, 2021 (December 31, 2020: 676,503 Units, 15.69%).

### *Contractual Obligations*

TSX Trust Company, (the “LP Transfer Agent”), has been appointed as registrar and transfer agent in respect of the Units.

The Limited Partnership has retained CIBC Mellon Trust Company (and certain of its affiliates) as custodian and will pay for custodial services on a direct cost basis.

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

### Critical Accounting Estimates and Judgements

#### *Management’s estimates*

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 and limited partnership investments. The valuation of venture investments and limited partnership investments impacts the management fees, the distributions to the General Partner

under the General Partner Priority Profit Allocation and the Performance Allocation to the General Partner within equity (note 7). While management believes that the estimates used in preparing its financial statements are reasonable and prudent, actual results could differ from these estimates and these differences could be significant.

The process of valuing venture investments and limited partnership 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 and limited partnership investments have been valued on a going concern basis, the values may differ materially from those realized on forced sale or liquidation. Refer to note 8 of the financial statements for more information on the inputs and assumptions used in this valuation.

The Limited Partnership may recognize a Performance Allocation amount which includes an unrealized component that may become distributable 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.

#### *Investment entity status*

The Limited Partnership has multiple unrelated investors and holds multiple investments. Ownership interests in the partnership are in the form of limited partnership interests (LP Units) which are classified as equity under the provisions of IAS 32. The Limited Partnership has been deemed to meet the definition of an investment entity per IFRS 10 as the following conditions exist:

- (a) The Limited Partnership has obtained funds for the purpose of providing investors with professional investment management services;
- (b) The Limited Partnership's business purpose, which was communicated directly to investors, is investing for capital appreciation and investment income;
- (c) The investments are measured and evaluated on a fair value basis.

#### *General Partner allocations*

The Limited Partnership presents the General Partner Priority Profit Allocation (the "Priority Profit Allocation") as described in note 6 of the financial statements, in the Statement of Comprehensive Loss. The Limited Partnership has determined that the Performance Allocation, described in note 6 of the financial statements, represents an equity allocation to the General Partner rather than compensation for services provided and is presented in the Statement of Changes in Equity.

#### *Business model assessment under IFRS 9 and application of the fair value option*

Determining the appropriate business model and assessing whether cash flows generated by an asset constitute solely payments of principal and interest (SPPI) is sometimes complex and may require significant judgement. The objective of the Limited Partnership is to achieve long-term capital appreciation and its investment portfolio is managed on a fair value basis. The Limited Partnership has assessed the business model, the manner in which the investment portfolio is managed and performance evaluated as a group on a fair value basis, and concluded that FVTPL in accordance with IFRS 9 provides the most appropriate measurement and presentation of the Limited Partnership's investment portfolio.

#### **Risk Factors and Risk Management**

Investors in Units of the Limited Partnership should consider the following risk factors which could have a material adverse effect 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 are highly speculative in nature. The business of the Limited Partnership is to make debt and equity-related investments primarily 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 fulfill 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. 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 and underlying limited partnerships. 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 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. The unexpected loss or departure of any key officers, employees or consultants from the General Partner 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 may 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). 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 may 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 the 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.

### *Conflicts of Interest*

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

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

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

### *Additional Financings*

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

### *Taxation of the Limited Partnership*

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

The Net Income for tax purposes, if any, of the Limited Partnership will be allocated to the Limited Partners on a pro rata basis among the Limited Partners who are shown as such on the record of Limited Partners on the last day of such fiscal year. In any fiscal year, Limited Partners may be allocated Net Income and be liable for taxes on the Net Income for which they have not received cash distributions.

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

It is possible that some of the portfolio companies held by the Limited Partnership may be classified as “non-portfolio property” of the Limited Partnership, which will cause the Limited Partnership to be a “SIFT partnership” for the purposes of the SIFT rules in the Tax Act. For so long as such investments are held by the Limited Partnership and remain “non-portfolio property”, the Limited Partnership will be subject to SIFT Tax on its “taxable non-portfolio earnings”, which may result in a reduction in the after-tax returns to Limited Partners.

The Canada Revenue Agency (“CRA”) may challenge the asserted characterization or quantum of certain payments or allocations made by the Limited Partnership for tax purposes.

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

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

#### *Legislative Changes*

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

#### *Financial Resources of the General Partner*

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

#### *Competition*

The Limited Partnership will compete with companies and investment funds in the venture capital industry, some of which may have greater capital resources, including commercial and investment banks, commercial financing companies, high yield investors and venture capital funds. Some of these competitors may have a lower cost of funds and access to funding sources that may not be available to the Limited Partnership, and there is no assurance that the competitive pressures the Limited Partnership will face will not have a material adverse effect on its business, financial condition or results of operations. As a result of this competition, the Limited Partnership may not be able to pursue attractive investment opportunities from time to time. The Limited Partnership may lose investment opportunities if

it does not match its competitors' pricing, terms and structure, and thus the Limited Partnership may make investments that are on less favourable terms than originally anticipated, which may impact the Limited Partnership's return on these investments.

#### *Foreign Currency*

The Limited Partnership has financial instruments denominated in a currency other than the Canadian dollar which is the Limited Partnership's functional currency. The Limited Partnership is exposed to the risk that the fair value of the securities and other financial instruments denominated in other currencies will fluctuate due to changes in the exchange rates.

#### *Underlying Funds*

The investments of the Limited Partnership include investments in underlying limited partnerships. An investment in an underlying limited partnership results in one or more additional layers of fees and expenses which will impact the fair value of the Limited Partnership's investment in the underlying limited partnerships. In addition, the Limited Partnership may have limited rights to which it may redeem, transfer or otherwise liquidate its investment in an underlying limited partnership. The underlying limited partnerships may, in turn, be invested in securities which do not have an active market. Such restrictions on liquidity could affect, materially and adversely, the fair value of the underlying limited partnership investments and reported gains or losses on these securities by the Limited Partnership.

#### *Significant Events*

The outbreak of COVID-19 and related global responses have caused material disruptions to businesses around the world, leading to a significant economic slowdown. Global equity markets have experienced high volatility and periods of significant downturns. While governments and central banks have reacted with monetary and fiscal interventions designed to stabilize economic conditions, the duration and extent of the impact of the COVID-19 outbreak, as well as the effectiveness of government and central bank responses, remain unclear at this time. The operations of the underlying companies in which the Limited Partnership has invested may be affected by these disruptions. As a result, there can be no assurance that the disruptions caused by COVID-19 will not have a material adverse effect on the Limited Partnership's investment income.