



*Wildeboer Dellelce Place, 6<sup>th</sup> Floor  
365 Bay Street  
Toronto, Ontario, M5H 2V1*

**NOTICE OF MEETING**

**AND**

**MANAGEMENT INFORMATION CIRCULAR**

For

**The Annual Meeting of Shareholders**

To be held on June 28, 2017 at 11:00 a.m. (Toronto Time)



## **DIFFERENCE CAPITAL FINANCIAL INC.**

*Wildeboer Dellelce Place, 6<sup>th</sup> Floor  
365 Bay Street  
Toronto, Ontario, M5H 2V1*

### **NOTICE OF MEETING**

TO: The Shareholders of Difference Capital Financial Inc.

NOTICE IS HEREBY GIVEN THAT an annual meeting (the “**Meeting**”) of the holders of the common shares (the “**Common Shares**”) in the capital of Difference Capital Financial Inc. (the “**Company**”) will be held at the offices of Wildeboer Dellelce LLP, Wildeboer Dellelce Place, 6<sup>th</sup> Floor, 365 Bay Street, Toronto, Ontario, M5H 2V1 on June 28, 2017, at 11:00 a.m. (Toronto time), for the following purposes:

1. to receive the audited financial statements together with the report of the auditors thereon for the Company’s financial year ended December 31, 2016;
2. to elect directors for the ensuing year;
3. to reappoint Ernst & Young LLP, Chartered Accounts, as auditors of the Company for the ensuing year; and
4. to transact such other business as may properly come before the Meeting and any adjournment(s) or postponement(s) thereof.

The accompanying management information circular provides additional information relating to the matters to be dealt with at the Meeting and is deemed to form part of this notice. Also accompanying this notice of the Meeting is a form of proxy and a supplemental mailing return card.

Only holders of Common Shares (the “**Shareholders**”) of record at the close of business on May 2, 2017 (the “**Record Date**”) will be entitled to receive notice of, to attend, and to vote at, the Meeting. If you are unable to attend the Meeting in person, please complete, sign and date the enclosed form of proxy and return the same in the enclosed return envelope provided for that purpose within the time and to the location set out in the form of proxy accompanying this notice of the Meeting.

DATED as of the 30<sup>th</sup> day of May, 2017.

**BY ORDER OF THE BOARD OF DIRECTORS**

*(signed) "Henry Kneis"*

Chief Executive Officer

**If you are a non-registered Shareholder and received these materials through your broker or through another intermediary, please complete and return the appropriate documents in accordance with the instructions provided to you by your broker or by such other intermediary. Failure to do so may result in your Common Shares not being eligible to be voted at the Meeting.**



## DIFFERENCE CAPITAL FINANCIAL INC.

*Wildeboer Dellelce Place, 6<sup>th</sup> Floor  
365 Bay Street  
Toronto, Ontario, M5H 2V1*

## MANAGEMENT INFORMATION CIRCULAR

(As at May 30, 2017, except as indicated)

### GLOSSARY OF TERMS

*Unless the context otherwise requires, the following terms shall have the following respective meanings when used in this management information circular.*

“**Board**” means the board of directors of the Company.

“**Broadridge**” means Broadridge Investor Communications Solutions, Inc.

“**Business Day**” means a day that is not a Saturday, Sunday or statutory holiday in Toronto, Ontario.

“**CBCA**” means the *Canada Business Corporations Act*, as amended from time to time.

“**CDS**” means CDS Clearing and Depository Services Inc. or its nominee (which is, as of the date hereof, CDS & Co.).

“**Circular**” has the meaning set out under the heading “*General Proxy Information*”.

“**Code**” means the Company’s written Code of Ethics.

“**Common Share**” means a common share in the capital of the Company.

“**Company**” and “**DCF**” mean Difference Capital Financial Inc., a corporation existing under the CBCA.

“**Computershare**” means Computershare Investor Services Inc.

“**DCI**” means Difference Capital Inc.

“**DCM**” means Difference Capital Management Inc.

“**E&Y**” means Ernst & Young LLP, Chartered Accountants.

“**Eligible Persons**” means persons eligible for participation under the Stock Option Plan.

“**Intermediary**” has the meaning set out under the heading “*General Proxy Information – Non-Registered Holders*”.

“**Investment Policy**” means the Company’s investment policy as attached hereto as Schedule “E”.

“**Management Agreement**” means the management agreement between the Company and the Manager entered into on January 18, 2013 (with effect as of May 29, 2012) as amended by an amending agreement dated March 26, 2014 with effect as of July 1, 2013, and then terminated with effect as of June 1, 2015, which is available in its entirety on the Company’s SEDAR profile at [www.sedar.com](http://www.sedar.com).

“**Management Fee**” means the annual management fee in the amount equal to 2% plus HST of the net asset value of the Company as determined by subtracting the aggregate fair value of the liabilities of the Company (excluding any convertible debentures or debentures that have a term of greater than one (1) year, in each case, for greater certainty, debentures that have been issued by the Company which includes the convertible unsecured debentures of the Company due July 31, 2018) from the aggregate fair value of the assets of the Corporation on the date on which the calculation is being made, calculated and payable monthly as of the last business day of each month, payable to the Manager pursuant to the Management Agreement during the effective period of the Management Agreement.

“**Management Internalization**” means the process, which took effect on June 1, 2015, by which all employees of the Manager and DCI became full time employees of the Company.

“**Management Proxyholders**” means the officers and directors of the Company whose names are printed on the enclosed form of proxy.

“**Management Services Officers and Directors**” has the meaning set out under the heading “*Statement of Executive Compensation – Compensation Discussion and Analysis – Compensation Policy*”.

“**Manager**” means Difference Capital Management Inc. in its role as manager, prior to June 1, 2015, of the Company.

“**Meeting**” means the annual meeting of Shareholders to be held on June 28, 2017, and any adjournment(s) or postponement(s) thereof.

“**Meeting Materials**” has the meaning set out under the heading “*General Proxy Information – Non-Registered Holders*”.

“**NAV**” or “**Net Asset Value**” means the net asset value of the Company, as determined by subtracting the aggregate fair value of the liabilities of the Company from the aggregate fair value of the assets of the Company on the date on which the calculation is being made.

“**NEOs**” and “**Named Executive Officers**” have the meaning set out under the heading “*Statement of Executive Compensation – Summary Compensation Table*”.

“**NI 52-110**” means National Instrument 52-110 – *Audit Committees*.

“**NI 54-101**” means National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer*.

“**NI 58-101**” means National Instrument 58-101 – *Disclosure of Corporate Governance Practices*.

“**Non-Registered Shareholder**” has the meaning set out under the heading “*General Proxy Matters – Non-Registered Holders*”.

“**Notice of Meeting**” has the meaning set out under the heading “*General Proxy Information*”.

“**NP 58-201**” means National Policy 58-201 – *Corporate Governance Guidelines*.

“**Participant**” means Eligible Persons to whom stock options have been granted under the Stock Option Plan.

“**Record Date**” means May 2, 2017.

“**Shareholder**” means a holder of Common Shares.

“**SOP**” and “**Stock Option Plan**” mean the Company’s amended and restated stock option plan dated June 13, 2013.

“**Stock Option Expiry Date**” has the meaning set out under the heading “*Statement of Executive Compensation – Stock Options*”.

“**TSX**” means the Toronto Stock Exchange.

“**VIF**” means a request for voting instructions.

## **FORWARD-LOOKING STATEMENTS**

This Circular contains forward-looking statements regarding future growth, results of operations, performance, business prospects and opportunities involving the Company. Words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates”, or similar expressions, are forward-looking statements within the meaning of securities laws. Forward-looking statements include, without limitation, the information concerning possible or assumed future results of operations of the Company. These statements are not historical facts but instead represent only management’s and the Board’s expectations, estimates and projections regarding future events. These statements are not guarantees of future performance and involve known and unknown risks, assumptions, uncertainties, and other factors that may cause actual results or events to differ materially from what is expressed, implied or forecasted in such forward-looking statements. In addition to the factors the Company currently believes to be material, such as, but not limited to, its ability to achieve its investment objectives, its dependence on the efforts of management, risks associated with fluctuations in net asset value and valuation of the Company’s portfolio, its ability to operate on a profitable basis, changes in interest rates, evaluation of its provision for income and related taxes, other factors not currently viewed as material, such as general, economic and business conditions and opportunities available to or pursued by the Company, could cause actual results to differ materially from those described in the forward-looking statements. Although the Company has attempted to identify important risks and factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors and risks that cause actions, events or results not anticipated, estimated or intended. Accordingly, Shareholders should not place any undue reliance on forward-looking statements as such information may not be appropriate for other purposes. The Company does not undertake any obligation to update or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this Circular except as required by applicable law.

## GENERAL PROXY INFORMATION

The attached notice of meeting (the “**Notice of Meeting**”) and this management information circular (collectively with the Notice of Meeting, the “**Circular**”) is being furnished in connection with the solicitation of proxies by or on behalf of the management of the Company for use at the Meeting to be held on June 28, 2017 and at any adjournment(s) or postponement(s) thereof. The solicitation will be conducted primarily by mail and may be supplemented by telephone, electronic or other personal contact to be made without special compensation by directors, officers and employees of the Company. The costs of the solicitation will be borne by the Company.

The information contained herein is given as at May 30, 2017 except where otherwise noted.

### **Appointment of Proxyholder**

The purpose of a proxy is to designate persons who will vote on a Shareholder’s behalf in accordance with the instructions given by the Shareholder in the proxy. The persons whose names are printed on the enclosed form of proxy are officers or directors of the Company (the “**Management Proxyholders**”).

**A registered Shareholder has the right to appoint a person other than a Management Proxyholder to represent the Shareholder at the Meeting by inserting the name of that person in the blank space provided in the form of proxy or by completing another acceptable form of proxy. A proxyholder need not be a Shareholder.**

### **Voting by Proxy**

**Only registered Shareholders or their duly appointed proxyholders will be permitted to vote at the Meeting.** Common Shares represented by properly executed and delivered proxies in the accompanying form will be voted or withheld from voting on each respective matter in accordance with the instructions of the registered Shareholder on any ballot that may be conducted. **If there are no instructions provided in respect of any matters, the named individuals will vote FOR the proposed resolutions.**

**The enclosed form of proxy, when properly completed and signed, confers discretionary authority upon the proxyholder(s) named therein with respect to amendments or variations to matters identified in the Notice of the Meeting and with respect to other matters which may properly come before the Meeting.** At the date of this Circular, management of the Company knows of no such amendments, variations or other matters to come before the Meeting.

### **Completion and Return of Proxy**

Completed proxies must be deposited at the office of the Company’s registrar and transfer agent, Computershare, 100 University Avenue, 8<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1, not later than 11:00 a.m. (Toronto time) on June 26, 2017 or, if the Meeting is adjourned or postponed, not later than 48 hours, excluding Saturdays and holidays, before such adjourned or postponed meeting. Alternatively, registered Shareholders may vote by telephone by dialing toll free 1-866-732-VOTE (or 8683), or may vote online at [www.investorvote.com](http://www.investorvote.com) with a 15 digit control code they receive by mail from Computershare, subject to the same deadlines as stated above.

## Notice and Access

The Company has elected not to send the Meeting Materials to registered Shareholders or to Non-Registered Shareholders using the notice-and-access delivery procedures defined under NI 54-101 and National Instrument 51-102 – *Continuous Disclosure Obligations*.

## Non-Registered Holders

**Only persons whose names appeared on the register of the Company at the close of business on May 2, 2017 as the holders of Common Shares, or their duly appointed proxyholders, will be permitted to vote at the Meeting.** In many cases, however, Common Shares beneficially owned by a person (a “**Non-Registered Shareholder**”) are registered in the name of either: (i) an intermediary (an “**Intermediary**”) that a Non-Registered Shareholder deals with in respect of the Common Shares (Intermediaries include, among others, securities dealers or brokers, banks, trust companies, and trustees or administrators of self-administered registered retirement savings plans (RRSPs), registered retirement income funds (RRIFs), registered education savings plans (RESPs), tax free savings accounts (TFSAs) and similar plans); or (ii) a clearing agency (such as CDS) in which the relevant Intermediary is a participant. If you purchased your Common Shares through a broker, you are likely to be a Non-Registered Shareholder.

The Meeting Materials are being sent to both registered Shareholders and Non-Registered Shareholders. NI 54-101 permits the Company to forward the Meeting Materials directly to “non-objecting beneficial owners”, or “NOBOs”. The Company is not sending the Meeting Materials directly to NOBOs under NI 54-101. In accordance with the requirements of NI 54-101, the Company has distributed copies of meeting materials including the form of proxy and this Circular (collectively, the “**Meeting Materials**”) to Intermediaries for distribution to Non-Registered Shareholders. The Company will reimburse brokers and other Intermediaries for costs incurred by them in mailing Meeting Materials to Non-Registered Shareholders in accordance with the requirements of the Canadian Securities Administrators. Non-Registered Shareholders who have objected to their Intermediary disclosing the ownership information about themselves to the Company are referred to herein as “OBOs”. In accordance with the requirements of NI 54-101, the Company is sending the Meeting Materials indirectly, through Intermediaries, to OBOs. The Company will pay the fees and costs of Intermediaries for their services in delivering Meeting Materials to OBOs in accordance with NI 54-101.

Intermediaries are required to forward the Meeting Materials to Non-Registered Shareholders in order to seek their voting instructions in advance of the Meeting. Common Shares held by Intermediaries can only be voted in accordance with the instructions of Non-Registered Shareholders. The Intermediaries often have their own voting instruction form and mailing procedures and provide their own return instructions. Generally, Non-Registered Shareholders will either:

- (a) be given a form of proxy which has already been signed by the Intermediary (typically by a facsimile stamped signature), and which is restricted as to the number of Common Shares beneficially owned by the Non-Registered Shareholder, but which is otherwise not completed. Because the Intermediary has already signed the form of proxy, such form of proxy is not required to be signed by the Non-Registered Shareholder when submitting it. In this case, the Non-Registered Shareholder who wishes to submit a proxy should otherwise properly complete the form of proxy and deliver it to Computershare as provided above; or
- (b) more typically, be given a voting instruction form which is not signed by the Intermediary, but which, when properly completed and signed by the Non-Registered Shareholder and returned to the Intermediary or its designated service company, will constitute voting instructions (often called a “proxy authorization form”) which the Intermediary must follow. The majority of Intermediaries

now delegate responsibility for obtaining instructions from Non-Registered Shareholders to Broadridge. Broadridge typically prepares a machine-readable VIF, mails these VIFs to Non-Registered Shareholders, and asks Non-Registered Shareholders to return the VIFs (or otherwise communicate their voting instructions) to Broadridge, usually by way of mail, the internet or telephone. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the meeting by proxies for which Broadridge has solicited voting instructions. A Non-Registered Shareholder who receives a VIF from Broadridge cannot use that form to vote Common Shares directly at the Meeting. The VIF must be returned to Broadridge (or instructions respecting the voting of Common Shares must otherwise be communicated to Broadridge) well in advance of the Meeting in order to have the shares voted. If you have any questions respecting the voting of Common Shares held through an Intermediary, please contact that Intermediary for assistance.

The purpose of these procedures is to permit Non-Registered Shareholders to direct the voting of the Common Shares which they beneficially own. Should a Non-Registered Shareholder who receives one of the above forms wish to vote at the Meeting in person (or by means of the appointment of another person), the Non-Registered Shareholder should insert the Non-Registered Shareholder's name (or that of the appointee) in the appropriate blank space provided. **Non-Registered Shareholders should carefully follow the instructions of their Intermediary or its designated service company, including those regarding when and where the proxy or proxy authorization form is to be delivered.**

#### **Revocability of Proxies**

A proxy may be revoked at any time before the Meeting by executing a valid form of revocation and delivering it to the head office of the Company, being 200 Front Street West, Suite 2504, Toronto, Ontario, M5V 3L1 (or to Computershare at 100 University Avenue, 8<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1), at any time up to and including 11:00 a.m. (Toronto time) on the last Business Day preceding the date of the Meeting, or any adjournment(s) or postponement(s) thereof, or by delivering it to the chairman of the Meeting prior to the commencement of the Meeting, or any adjournment(s) or postponement(s) thereof. If you are a registered Shareholder and you attend the Meeting and vote on a ballot, you will be treated as having revoked any valid proxy previously delivered by you. If you are a registered Shareholder and you attend the Meeting in person you need not revoke your proxy and vote in person unless you wish to do so. A proxy may also be revoked in any other manner permitted by law.

**Only registered Shareholders have the right to revoke a proxy. Non-Registered Shareholders who wish to change their vote must arrange with adequate prior notice for their respective Intermediaries to revoke the proxy on their behalf.**

#### **INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON**

Except as otherwise disclosed herein, to the knowledge of the Company, no director or executive officer, since the commencement of the Company's last completed fiscal year, or any associate or affiliate of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any of the matters to be acted upon at the Meeting, other than the election of directors.

#### **VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES**

As at the close of business on the Record Date, 5,858,621 Common Shares were issued and outstanding. Registered Shareholders at the close of business on the Record Date are entitled to receive notice of, to attend at, and to vote at the Meeting. Shareholders are entitled to one vote for each Common Share so held.

To the knowledge of the directors and executive officers of the Company, as at the date of this Circular, the following persons beneficially own, control or direct, directly or indirectly, securities carrying 10% or more of the voting rights attached to all Common Shares:

<b>Name</b>	<b>Number of Common Shares <sup>(1)</sup></b>	<b>Percentage of Outstanding Common Shares</b>
Michael Wekerle <sup>(2)</sup>	2,673,320	45.6%

Notes:

- (1) Indicates the number of Common Shares beneficially owned, controlled or directed, directly or indirectly, as disclosed in publicly available sources or as otherwise disclosed to the Company by the holder.
- (2) Mr. Wekerle holds 2,310,584 Common Shares directly and exercises control or direction over 348,736 Common Shares through 1401993 Ontario Inc., 2,333 Common Shares through Wek Corp. (f/k/a Wekerle GM&P Holding Corporation) and 11,667 through the Michael Wekerle Family Trust.

## **QUORUM**

A quorum of Shareholders will be present at the Meeting if not less than one registered Shareholder present in person or represented by proxy or a duly authorized representative, representing not less than five percent (5%) of the issued and outstanding Common Shares, is present at the opening of the Meeting.

## **MATTERS REQUIRING SHAREHOLDER APPROVAL**

### **1. Financial Statements**

The audited financial statements of the Company, together with the report of the auditors thereon, for DCF's financial year ended December 31, 2016, copies of which accompany this Circular, will be presented to Shareholders at the Meeting. Receipt at the Meeting of the financial statements and the auditors' report thereon will not constitute approval or disapproval of any matters referred to therein.

### **2. Election of Directors**

Directors are elected at each annual meeting of Shareholders and hold office until the next annual meeting or until their successors are otherwise elected or appointed. The Board has determined that the number of directors to be elected at the Meeting is five. The five nominees proposed for election as directors of the Company are listed below.

Riyaz Lalani has determined not to stand for re-election at the Meeting and will be retiring from the Board. The Board and management of the Company wish to thank Mr. Lalani for his service and contribution to the Company during his tenure as director.

The Board is pleased that Mr. Wayne Gudbranson will be standing for election at the Meeting along with the Company's current directors who are standing for re-election

The Company does not have an Executive Committee of the Board. The Company has an Audit Committee, a Corporate Governance, Compensation and Nominating Committee and an Investment Committee. Members of these committees are identified below.

The term of office of each director currently in office will expire at the close of the Meeting and all directors elected at the Meeting will hold office until the next annual meeting of Shareholders or until their successors are elected or appointed.

The following table sets forth certain information with respect to all persons proposed to be nominated by management of the Company for election as directors. Management of the Company does not contemplate that any of the nominees will be unable to serve as directors, but if that should occur for any reason at or prior to the Meeting or should any of the nominees withdraw their candidacy at or prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion.

<b>Name and Jurisdiction of Residence</b>	<b>Position Held with the Company</b>	<b>Principal Occupation, Business or Employment During the Last Five Years</b>	<b>Director Since</b>	<b>Number of Common Shares Beneficially Owned, Directly or Indirectly, or Controlled or Directed <sup>(4)</sup></b>
John Albright <sup>(1),(2),(3)</sup> Toronto, Ontario, Canada	Director	Managing Partner of Relay Ventures since May 1996 (formerly known as JLA Ventures).	June 1, 2012	Nil
Henry Kneis <sup>(3)</sup> Toronto, Ontario, Canada	Chief Executive Officer and Director	Chief Executive Officer of the Company since June 2015; Chief Operating Officer, Chief Financial Officer and Managing Partner of Difference Capital Inc. from April 2012 to June 2015.	July 17, 2014	79,754 <sup>(5)</sup>
Wayne Gudbranson Ottawa, Ontario, Canada	N/A	Chief Executive Officer and President of Branham Group Inc. since 1990.	N/A	Nil
Jason Marks <sup>(1),(2)</sup> Toronto, Ontario, Canada	Director	Co-CEO of Metric Asset Management Limited Partnership since July 2016; Executive Chairman of Fiera Quantum Limited Partnership from April 2014 to May 2014; Chief Executive Officer and Chief Investment Officer of Fiera Quantum Limited Partnership from April 2013 to April 2014; Chief Executive Officer and Chief Investment Officer of GMP Investment Management from January 2008 to April 2013.	June 17, 2015	6,000
Michael Wekerle <sup>(3)</sup> Toronto, Ontario, Canada	Chairman and Director	Chairman of the Company since July 2014; Executive Chairman of Difference Capital Inc. from April 2012 to June 2015.	October 3, 2012	2,673,320 <sup>(6)</sup>

Notes:

- (1) Member of the Audit Committee. The Board intends to reconstitute the membership of the Audit Committee at a Board meeting to be held following the Meeting.
- (2) Member of the Corporate Governance, Compensation and Nominating Committee. The Board intends to reconstitute the membership of the Corporate Governance, Compensation and Nominating Committee at a Board meeting to be held following the Meeting.
- (3) Member of the Investment Committee.
- (4) The number of Common Shares beneficially owned, directly or indirectly, controlled or directed, is based solely upon information furnished to the Company by the individual directors or obtained from the System for Electronic Disclosure by Insiders as at the date of this Circular.
- (5) Mr. Kneis holds 74,154 Common Shares directly and exercises control or direction over 5,600 Common Shares through Abria Financial Group Ltd.
- (6) Mr. Wekerle holds 2,310,584 Common Shares directly and exercises control or direction over 348,736 Common Shares through 1401993 Ontario Inc., 2,333 Common Shares through Wek Corp. (f/k/a Wekerle GM&P Holding Corporation) and 11,667 through the Michael Wekerle Family Trust.

As at the date of this Circular, the directors and executive officers of the Company as a group beneficially own, directly or indirectly, or exercise control or direction over an aggregate of 2,761,074 Common Shares, representing 47.1% of the issued and outstanding Common Shares.

### ***Majority Voting for Election of Directors***

The Board has adopted a “majority voting” policy, pursuant to which if a nominee for election as director receives a greater number of votes “withheld” than votes “for” at a meeting of Shareholders, such nominee shall offer his or her resignation as a director to the Board promptly following the meeting of Shareholders at which the director was elected. Upon receiving such offer of resignation, the Board shall accept it absent exceptional circumstances. DCF will announce the decision of the Board in a press release with respect to whether the Board has decided to accept such director’s resignation, which decision will be made within 90 days following the meeting of Shareholders. The director who tendered such resignation will not be part of any deliberations of any Board committee or the Board pertaining to the resignation offer.

The “majority voting” policy only applies in circumstances involving an uncontested election of directors. For the purposes of the policy, an “uncontested election of directors” means that the number of nominees for election as a director is not less than the number of directors to be elected to the Board.

### ***Corporate Cease Trade Orders***

To the knowledge of the Board, no nominee is, at the date of this Circular, or has been within ten years before the date of this Circular,

- (a) a director, Chief Executive Officer (a “**CEO**”) or Chief Financial Officer (a “**CFO**”) of any company (including DCF) that:
  - (i) was subject to an order that was issued while the nominee was acting in the capacity as director, CEO or CFO; or
  - (ii) was subject to an order that was issued after the nominee ceased to be a director, CEO or CFO and which resulted from an event that occurred while that person was acting in the capacity as director, CEO or CFO;
- (b) a director or executive officer of any company (including DCF) that, while such nominee was acting in that capacity, or within one year of such nominee ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangements or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (c) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangements or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such nominee.

For the purposes of (a) above, the term “order” means a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days.

### ***Penalties or Sanctions***

To the knowledge of the Board, no current director or executive officer of the Company or Shareholder holding sufficient securities to affect materially the control of the Company has:

- (a) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) has been subject to any other penalties or sanctions imposed by a court or by a regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a director nominee.

### ***Conflicts of Interest***

To the knowledge of the Board, there are no known or existing or potential conflicts of interest among the Board and its directors, officers or other members of management as a result of their outside business interests except that certain directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Company and their duties as a director or officer of such other companies. In addition, from time to time, the Company may make investments in entities in which officers and directors of the Company are also investors. See “*Report on Corporate Governance – Investment Committee – Conflict Provisions*”.

**The persons named in the form of proxy which accompanies this Circular intend to vote FOR the election as directors of the proposed nominees of management whose names are set forth in the table above unless the Shareholder has specified in the form of proxy that the Common Shares represented by such form of proxy are to be withheld from voting in respect thereof.**

### **3. Re-Appointment of Auditors**

Management proposes to re-appoint E&Y as auditors of the Company and to authorize the Board to fix the auditors’ remuneration. The auditors will hold office until the next annual meeting of Shareholders or until their successors are appointed. **The Board and management of the Company recommend that Shareholders vote FOR the ordinary resolution.**

**The persons named in the form of proxy which accompanies this Circular intend to vote FOR the re-appointment of E&Y as the auditors of the Company unless the Shareholder has specified in the form of proxy that the Common Shares represented by such form of proxy are to be withheld from voting in respect thereof.**

### **4. Other Matters**

The Company knows of no other matters to be submitted to the Shareholders at the Meeting. If any other matters properly come before the Meeting, it is the intention of the persons named in the enclosed form of proxy to vote the Common Shares they represent in accordance with their judgment on such matters.

## **REPORT ON CORPORATE GOVERNANCE**

### **Statement of Corporate Governance Practices**

NP 58-201 provides guidelines on the constitution and independence of corporate boards, their functions, the effectiveness and education of board members and other items relating to corporate governance practices, and NI 58-101 requires Canadian reporting issuers to disclose their corporate governance practices on an annual basis. The Company's approach to corporate governance is described below.

The Board, both generally and through the Corporate Governance, Compensation and Nominating Committee, is committed to remaining abreast of the ongoing evolution of corporate governance standards and practices both in Canada and more broadly.

### **Independence of Directors**

The majority of the current directors of the Company are considered independent within the meaning of NI 52-110. An independent director for such purposes is one who is free of any direct or indirect material relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a director's independent judgment. The current Board consists of five directors, three of whom, being John Albright, Riyaz Lalani and Jason Marks, are independent. The proposed Board consists of five directors, three of whom, being John Albright, Jason Marks and Wayne Gudbranson, are independent. Michael Wekerle is not considered to be independent by reason of the fact that, due to the size of his Common Share holding, Mr. Wekerle is deemed to affect materially the control of the Company. Henry Kneis is not considered to be independent by reason of the fact that he serves as the Chief Executive Officer of the Company.

The independent directors hold scheduled meetings on an ad hoc basis, if and when required, at which non-independent directors and members of management are not in attendance. The independent directors also conduct in camera sessions at regularly scheduled Board meetings.

The Chairman of the Board is Mr. Wekerle. The Board has adopted a written position description setting out the Chairman's roles and responsibilities. Mr. Wekerle's key role is to take all reasonable measures to ensure that the Board (i) has structures and procedures in place to enable it to function independently of management, (ii) carries out its responsibilities effectively and (iii) clearly understands and respects the boundaries between Board and management responsibilities. A copy of the Company's Position Description of the Board Chair is attached to this Circular as Schedule "A".

The Board also appoints a Lead Director from among its independent members. The Lead Director is to facilitate the functioning of the Board independently of management, to ensure that directors have an independent contact on matters of concern to them and to ensure that the Board's agenda will enable it to successfully carry out its duties. In particular, the Lead Director would provide leadership to the Board if circumstances arose in which the Chairman may be, or may be perceived to be, in conflict of interest and chairs those Board sessions that are attended only by independent directors. The Company's Lead Director is also currently the Chair of the Audit Committee.

### **Participation with other Reporting Issuers**

The following table sets forth the current and proposed directors of the Company who currently hold directorships with other reporting issuers:

Director	Name of the Other Reporting Issuer(s)
John Albright	theScore, Inc.
Jason Marks	Transition Metals Corp.

### Attendance at Board Meetings

The attendance record of each director for all Board and Committee meetings held in the year ended December 31, 2016 is as follows:

Name of Director	Board Meetings	Audit Committee Meetings	Corporate Governance, Compensation and Nominating Committee Meetings	Investment Committee Meetings
John Albright	6/7	3/4	3/3	1/1
Henry Kneis	7/7	N/A	N/A	1/1
Riyaz Lalani	6/7	3/4	2/3	N/A
Jason Marks	7/7	4/4	3/3	1/1
Michael Wekerle	7/7	N/A	N/A	1/1

### Board Mandate

The Board has adopted a detailed written Board Mandate and Governance Guidelines which provides that the Board is responsible for the stewardship of the Company and management is responsible for the day-to-day operations of the Company. Under the Board Mandate, the Board's stated objective is to enhance long-term value for Shareholders of the Company and, in pursuing these objectives, the Board has expressly assumed responsibility for strategic planning, risk assessment, the Company's communications policy, accounting and financial reporting and disclosure controls and procedures and internal controls. A copy of the Company's Board Mandate and Governance Guidelines is attached to this Circular as Schedule "B". The Board remains responsible for setting the Investment Policy of the Company and takes into consideration recommendations it receives from the Investment Committee.

The Board discharges its mandate directly and through three standing committees: the Audit Committee, the Corporate Governance, Compensation and Nominating Committee and the Investment Committee.

### Position Descriptions

The Board has adopted a written position description setting out the roles and responsibilities of the Chief Executive Officer. The CEO of the Company is responsible for the general management of the day-to-day affairs of the Company within the guidelines established from time-to-time by the Board, consistent with decisions requiring prior approval of the Board and the Board's expectations of the CEO. A copy of the Company's Position Description of the Chief Executive Officer is attached to this Circular as Schedule "C".

Owing to the small size and composition of the Board, the Board has not developed written position descriptions for the chair of each Board committee or the CFO. The roles and responsibilities of individuals holding these positions are not fixed in a formal way, but rather through discussion amongst the individuals involved and the Board generally having regard to all of the circumstances of the Company.

### **Orientation and Continuing Education**

All current directors are familiar with the Company's activities. New directors will be provided with an informal orientation session with regard to the Company's business activities as well as be familiarized with the Company's new business plans. In addition, as a matter of ongoing education, the Board is briefed on emerging issues, such as corporate governance developments, by external consultants. Expectations and responsibilities of directors, including attendance at Board meetings and advance review of meeting materials, are conveyed to Board members by the Chairman of the Board.

### **Ethical Business Conduct**

The Board has adopted the Code to ensure that the Company's directors, officers and employees act in accordance with applicable laws and observe the highest ethical standards in their business relationships. The Code imposes on every director, officer and employee of the Company the responsibility to create and maintain a fair, honest and professional workplace. The Board as a whole is responsible for monitoring and ensuring compliance with the Code. The Board monitors compliance with the Code on an ongoing basis by ensuring that all of the Company's directors, officers and employees have read and understand the Code and by charging management with bringing to the Board's attention any significant issues that arise with respect to the Code. Board members have open and frank discussions on topics ranging from conflicts of interest to corporate governance and reporting. Any breaches to the Code are to be reported to the Corporate Governance, Compensation and Nominating Committee and to date there have been no reported material breaches to the Code.

A copy of the Code is available on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

Directors must avoid conflicts of interest, both real and perceived. In practice, should a director have an interest in, or otherwise be in a conflict of interest as regards, a potential transaction or agreement being considered by the Board, he will disclose his conflict of interest and withdraw from any discussions, assessment or decision relating to the proposed transaction or agreement, including voting thereon.

### **Nomination of Directors**

The Corporate Governance, Compensation and Nominating Committee receives suggestions for Board candidates from individual Board members and makes a recommendation to the full Board. The Corporate Governance, Compensation and Nominating Committee periodically reviews the current profile of the Board. The Company's objective is to have a sufficient range of expertise and experience to ensure that the Board can fulfill its responsibilities effectively. Board members are selected for their ability to contribute to dealing with the issues that arise.

### **Compensation**

On June 1, 2012, the Corporate Governance Committee and the Compensation Committee of the Company were combined to create a new single committee called the Corporate Governance, Compensation and Nominating Committee. The committee is comprised of three members, all of whom are independent directors. This committee establishes and administers the compensation policies and remuneration levels for the officers of the Company and reviews and recommends to the Board incentive compensation plans

and equity based plans of the Company. The committee also will make recommendations to the Board with respect to the remuneration of directors.

### **Board Assessment**

The Board does not regularly make formal assessments of the Board, its committees and its individual directors, owing to the size and composition of the Board. As a small working board, the Board as a whole satisfies itself on an informal basis, from time to time, that the Board, its committees, and individual directors are performing effectively.

### **Director Term Limits and Other Mechanisms of Board Renewal**

In June 2012, when the Company entered into the Management Agreement with DCM and changed the nature of its business to invest primarily in private growth-sector companies, the number of directors on the Board was set at five. The size of the Board was increased twice in 2013, first to six and then to seven, in order to accommodate the addition of members with diverse backgrounds and skill sets relevant to the types of investments being made by the Company. Given the decrease in asset size and staffing in 2014, the size of the Board was reduced back to five as of July 2014. Four of the five current directors were elected within the past five years. The most recent member joined the Board as an independent director two years ago. The Company has not adopted formal, prescriptive term limits or a mandatory retirement age for members of the Board, but facilitates Board renewal by assessing, annually or as required, potential candidates for nomination to the Board in light of, amongst other things, the competencies and skills possessed by each existing director and the appropriate size of the Board. See “*Report on Corporate Governance - Nomination of Directors*”. It is the Company’s view that enacting prescriptive term limits would have unwanted negative consequences of reducing continuity, experience and institutional memory by forcing valuable and knowledgeable directors to leave the Board on an arbitrary basis. In its current incarnation, DCF is also quite a young company, being only five years old.

With a small board of only five individuals, the Company has determined that the optimal mix of members is three independent and two related directors. The Chairman of the Company is its largest shareholder, owning approximately 45.6% of the outstanding Common Shares, and the other related director is the Company’s Chief Executive Officer. The balance of the Board currently consists of three independent directors. Having such a small group of directors also makes it difficult to institute a formalized system of director, Board and committee assessments.

Nevertheless, the Board has experienced turnover in the past five years, and in consultation with the Corporate Governance, Compensation and Nominating Committee, the remaining directors of the Board have been responsible for nominating candidates and replacing such directors.

### **Diversity on the Board and in Executive Officer Positions**

The Board has not adopted a written diversity policy, but nevertheless recognizes that diversity is important to ensure that members of the Board and the Company’s senior management provide the necessary range of perspectives, experience and expertise required to achieve the Company’s objectives.

It is an objective of the Board that diversity be considered in determining the optimal composition of the Board and, when possible, the Board should be balanced appropriately. In reviewing Board composition and identifying suitable candidates for Board appointment or nomination for election to the Board, candidates will be selected based on merit and against objective criteria. Accordingly, the Company does not have a formal target regarding women on the Board, but due regard will be given within the appointment

or nomination process to the benefits of diversity in order to enable the Board to discharge its duties and responsibilities effectively.

Within the last three years, the Board actively sought to recruit a specific female director that the Board had identified as being especially qualified to contribute to the Company, but this individual was ultimately unable to assume the role due to prior commitments.

It is also an objective of the Company that diversity be considered in connection with the appointment of members of the Company's senior management. The Company recognizes that gender diversity is a significant aspect of diversity and acknowledges the role that women with the appropriate competencies and skills can play in contributing to diversity of perspective in senior management positions. The Company does not have a formal target regarding women in executive positions as all candidates for employment are selected based on merit and against objective criteria. Currently none of the directors or executive officers of the Company are women.

The Corporate Governance, Compensation and Nominating Committee is responsible for (i) assessing the effectiveness of the Board appointment/nomination process and senior management appointment process at achieving the Company's diversity objectives and (ii) considering and, if determined advisable, recommending to the Board for adoption, measurable objectives for achieving diversity on the Board and in senior management.

## **Board Committees**

The three standing committees of the Board are the Corporate Governance, Compensation and Nominating Committee, the Audit Committee and the Investment Committee. Each committee operates pursuant to a written charter which, among other things, authorizes such committee to retain outside legal, accounting and other advisors where the committee determines it to be necessary to assist it in discharging its responsibilities, and to set and pay the compensation of any such advisors.

### **1. Corporate Governance, Compensation and Nominating Committee**

The primary role of the Corporate Governance, Compensation and Nominating Committee is to assist the Board in fulfilling its corporate governance oversight responsibilities. In the discharge of this role, the Corporate Governance, Compensation and Nominating Committee is required to, among other things: (i) review the composition of the Board and its committees and make recommendations for any changes thereto; (ii) make recommendations on succession planning for the CEO; (iii) review and make recommendations on compensation for Board and committee service and the Company's directors and officers insurance coverage; (iv) monitor and make recommendations regarding the performance of the Board, its committees and the CEO; and (v) monitor the relationship between the Board, management of the Company and (prior to June 1, 2015) the Manager.

With the exception of the Management Services Officers and Directors prior to June 1, 2015, the Corporate Governance, Compensation and Nominating Committee reviews and recommends for Board approval the Company's officer and director compensation policies and practices. The Corporate Governance, Compensation and Nominating Committee also reviewed the performance of the Manager and reviews the performance of the Company's executive officers and directors. In the discharge of this role, the Corporate Governance, Compensation and Nominating Committee is required to, among other things: (i) consider the Company's overall remuneration strategy and compare such strategy against compensation trends of similar sized companies; (ii) compare the nature and amount of the Company's directors', executive officers' and (where applicable) the Manager's compensation to performance against goals set for the year and the financial position of the Company; and (iii) make recommendations to the Board in respect of director and

executive officer remuneration matters, with the overall objective of ensuring that directors and executive officers are compensated fairly and competitively on the basis of their responsibilities, workload and time commitments. Additional information regarding director and officer compensation is set out in detail under “*Statement of Executive Compensation*”.

The Corporate Governance, Compensation and Nominating Committee annually reviews appointments to executive officer positions to ensure that individuals with the appropriate skills, knowledge, experience and character are being fairly considered. The Board recognizes the importance of having a diversity of skills and experience at the executive officer level and thus the Corporate Governance, Compensation and Nominating Committee also evaluates whether it is desirable to adopt additional requirements or policies with respect to the diversity of management. In identifying potential candidates for executive officer positions, the Corporate Governance, Compensation and Nominating Committee will consider diversity, including gender diversity, as one amongst many factors. However, the Board believes that this factor should not override the promotion of candidates who possess the skills and experience which meet the needs of the Company at any given time. The Company has therefore refrained from setting specific diversity targets at the executive officer level (including in respect of gender diversity).

The Corporate Governance, Compensation and Nominating Committee is currently comprised of Riyaz Lalani (Chairman), John Albright and Jason Marks, all of whom are considered independent. As Mr. Lalani has determined not to stand for re-election at the Meeting, the Board intends to reconstitute the membership of the Corporate Governance, Compensation and Nominating Committee at a Board meeting to be held following the Meeting. In addition to their general business background, senior management experience and involvement with other companies, see below in “*Audit Committee – Relevant Education and Experience*” for a summary of the specific experience of each of the proposed members of the Corporate Governance, Compensation and Nominating Committee that is relevant to their responsibilities in respect thereof. The members of the Corporate Governance, Compensation and Nominating Committee draw upon their experience, as well as the skills gained with this experience, to enable them to make decisions on the suitability of the Company’s compensation policies and practices.

## **2. Audit Committee**

NI 52-110 requires the Company to disclose annually certain information concerning the constitution of the Company’s Audit Committee and its relationship with the Company’s independent auditor, as set forth below.

### ***Audit Committee Charter***

The text of the Audit Committee’s charter is attached as Schedule “D” to this Circular.

### ***Composition of the Audit Committee***

As of the date of this Circular, the Audit Committee is comprised of three Board members: John Albright (Chairman), Riyaz Lalani and Jason Marks. Each of the current committee members is considered to be “independent” and “financially literate” for the purposes of NI 52-110. Financial literacy includes the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues similar to those expected to arise in the context of the Company. As Mr. Lalani has determined not to stand for re-election at the Meeting, the Board intends to reconstitute the membership of the Audit Committee at a Board meeting to be held following the Meeting

### ***Relevant Education and Experience***

The education and experience of each member of the Company's Audit Committee that is relevant to the performance of his responsibilities as a member of the Audit Committee is summarized below:

#### *John Albright*

Mr. Albright is Co-Founder and Managing Partner of Relay Ventures, an early stage venture fund exclusively focused on mobile computing. During his tenure in the venture capital business, he has raised in excess of \$750 million and has assisted entrepreneurial companies in achieving significant growth. Mr. Albright currently serves as a director of theScore, Inc., TouchBistro Inc., Ecobee, Inc. and Blue Ant Media Inc. In addition, he serves as a member of the Board of Governors of OCAD University, a board member of The DMZ at Ryerson University and a board member of the Canadian Centre for Aging and Brain Health Innovation. He previously served on the board of, amongst others, Achievers Corp. (Acquired by Blackhawk Network, 2015), Nexage Inc. (Acquired by Millennial Media, 2015), mDialog Corp. (Acquired by Google, 2014), Aepona Limited (Acquired by Intel May 2013), FUN Technologies Inc. (IPO in 2003, acquired by Liberty Media Corporation in 2006), Q9 Networks Inc. (IPO in 2004, acquired by Abry Partners in 2008), Descartes (IPO in 1997), Triple G Systems Group, Inc. (IPO in 2001, acquired by General Electric Company in 2003), Bioscrypt Inc. (IPO in 2002, acquired by L1 Identity Solutions, Inc. in 2008) and Sirit Inc. (IPO in 1998, acquired by Federal Signal Corporation in 2010). Mr. Albright is a Chartered Financial Analyst and received his Bachelor of Business Administration degree from the Schulich School of Business at York University.

#### *Riyaz Lalani*

Mr. Lalani is the Chief Executive Officer of Bayfield Strategy, Inc., a public relations firm that specializes in financial transactions, shareholder actions, crisis communications and media relations. He has been involved with over 100 shareholder actions, and dozens of hostile M&A transactions. Mr. Lalani has led Bayfield's team in mounting or defending against shareholder actions in the United States, Europe, the UK, and Canada. He is a past Chief Operating Officer of Kingsdale Shareholder Services Inc. and a past Senior Research Analyst for Acqua Capital Management Company, as well as a past director of URSA Major Minerals Inc. and Royal Standard Minerals Inc. Mr. Lalani holds a Bachelor of Environmental Studies degree from the University of Waterloo.

#### *Jason Marks*

Mr. Marks is the co-CEO of Metric Asset Management Limited Partnership ("**Metric**"), where he provides oversight and risk management for Metric's fund offerings. In addition, Mr. Marks assists in the long-term strategic development of Metric's alternative investments initiative. Mr. Marks was the CEO and CIO of Fiera Quantum Limited Partnership ("**Fiera Quantum**"), a subsidiary of Fiera Capital Corporation, until May 2014. Prior to joining Fiera Quantum in May 2013, Mr. Marks was the CEO, CIO and Managing Partner of GMP Investment Management L.P. ("**GMPIM**") starting in December 2007. Prior to GMPIM, Mr. Marks was a Vice Chair at TD Securities and a Senior Vice President at TD Bank. Over his 11 years at TD Securities, Mr. Marks was responsible for various businesses including: international proprietary trading, equity derivatives, interest rate derivatives, energy trading and structured products. In addition to his various sales and trading responsibilities, he was a Senior Vice President of TD Bank. In that capacity, Mr. Marks held two senior risk management roles. First, in 1998, he served as the Head of Market Risk Management for TD Bank then, in 2003, as the Chief Credit Policy Officer responsible for overseeing Credit Risk at TD Bank. Prior to being employed at TD Bank, Mr. Marks was a Vice President at Citibank Canada, in which capacity, he was responsible for a number of derivative and structured product businesses.

Mr. Marks has a M.B.A. from Harvard University (1989) and a B.E.Sc. from the University of Western Ontario (1986).

It is currently contemplated that, if elected at the Meeting, the Board will appoint Wayne Gudbranson to the Audit Committee. The education and experience of Mr. Gudbranson that is relevant to the performance of his responsibilities as a member of the Audit Committee is summarized below:

#### *Wayne Gudbranson*

Wayne Gudbranson is President and CEO of Branham Group Inc., an independent global industry analyst and strategic marketing consulting firm focused on assisting Information and Communications Technology companies achieve market success. He launched an ambitious initiative to raise the visibility of Canadian ICT sector with the Branham300 listing. Today, the Branham300 is the most comprehensive database of privately held and publicly traded ICT companies ranked on total revenues in Canada. During 2008, Branham also launched another significant initiative to build Canada's brand in the global outsourcing market. The Directory of Outsourcing Companies and Capabilities in Canada is a key source of companies in Canada with outsourcing capabilities. He also sits on numerous boards and committees such as ISTP Canada and ITAC Health. He is the Honorary Chair of CN Cycle for CHEO, an annual fundraiser for the Children's Hospital of Eastern Ontario. Mr. Gudbranson has an Honours B.A. from the University of Guelph and a Master of Arts from the University of Western Ontario.

#### ***Audit Committee Oversight***

At no time since the commencement of the Company's most recently completed financial year has any recommendation of the Audit Committee respecting the appointment and/or compensation of the Company's external auditors not been adopted by the Board.

#### ***Reliance on Certain Exemptions***

At no time since the commencement of the Company's most recently completed financial year has the Company relied on exemptions in relation to "*De Minimus Non-Audit Services*" or any exemption provided by Part 8 of NI 52-110.

#### ***External Auditors Service Fees***

- (a) *Audit Fees* – The aggregate amounts paid or accrued by the Company to the external auditors for audit services for the fiscal years ended December 31, 2016 and 2015 were \$202,700 and \$252,425, respectively.
- (b) *Audit-Related Fees* – The aggregate amounts paid or accrued by the Company to the external auditors for audit-related services for the fiscal years ended December 31, 2016 and 2015 were \$33,450 and \$34,038 respectively. The services comprising these fees were quarterly reviews of the Company's financial statements.
- (c) *Tax Fees* – The aggregate amounts paid or accrued by the Company to the external auditors for tax related services for the fiscal years ended December 31, 2016 and 2015 were \$28,750 and \$22,650 respectively. The services comprising these fees were tax compliance and other tax advice.

- (d) *All Other Fees* – No other fees were paid or accrued by the Company to the external auditors for services for the fiscal years ended December 31, 2016 and 2015, other than those reported above.

### **3. Investment Committee**

The Company has an Investment Committee consisting of John Albright (Chair), Tom Astle, Henry Kneis, Jason Marks, and Michael Wekerle to monitor and review the Company's investments. Members of the Investment Committee are appointed annually by the Board. The Chairman of the Investment Committee is appointed by the Board. The members of the Investment Committee have a significant degree of investment expertise. The Investment Committee is responsible for annually reviewing and recommending to the Board, if deemed necessary, changes to the Investment Policy. It is also responsible for overseeing the management of the Company's investments.

Management has discretion to make investments in an amount equal to or less than 10% of the NAV at the time of such investment. In order for management to make an investment equaling more than 10% of the NAV at the time of such investment, management is required to seek approval from an independent director who sits on the Investment Committee or, alternatively, it must seek approval from any other independent director.

The Investment Committee meets as required and reports to the Board as required with respect to its decisions and activities.

#### ***Investment Selection***

The Company has a written investment policy, as attached hereto as Schedule "E". To identify potential investments, the Company relies on the members of its management team and the Board, and from time to time other reliable business affiliations. These persons have a broad range of international business experience and their own networks of business partners, financiers and venture capitalists through whom potential investments may be identified. Once an investment has been pre-screened by the investment team, it is presented to the management investment committee, the Investment Committee and/or the Board, as applicable, for review and approval. In the event that a director or member of any investment committee or any member of the Board has a personal interest in any proposed investment, that interest must be declared and the matter dealt with as set forth below under "Conflict Provisions".

#### ***Conflict Provisions***

The Company believes that it has assembled a strong Board, with diverse backgrounds and significant international business expertise and experience. In assembling a Board with these characteristics, the Company's primary goal is to gain exposure to a wide variety of potential investments, including investments with which Board members or management may already be familiar or that come to their attention through other business dealings.

The Company has no restrictions with respect to investing in companies in which a Board member or a member of the management team of the Company may already have an interest. Any conflict of interest with respect to a proposed investment shall be disclosed to the Board, which, at its sole discretion, shall determine if the conflicted person shall abstain from making further recommendations or decisions with respect to the proposed investment.

Prior to making any investment commitment, all members of management, the Board and the Investment Committee are required to disclose their interest in the potential investment. Where a conflict is determined

to exist within the Board, the director having a conflict of interest abstains from making further decisions or recommendations concerning the potential investment and from voting on all matters related to the potential investment. Where a conflict exists within the Investment Committee, the member having a conflict of interest abstains from making recommendations with respect to the proposed investment.

The Company is also subject to the “related party” transaction policies of the applicable securities laws, which mandates disinterested Board approval for certain transactions.

## STATEMENT OF EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

#### *Compensation Policy*

Pursuant to the Management Agreement, for the period January 1, 2015 to May 31, 2015, certain of the directors and executive officers of the Company at such time, being Michael Wekerle (formerly the Chairman and CEO of DCI, the former parent company of the Manager, and a director of the Manager) and Henry Kneis (formerly the CFO and a director of DCI and CEO, CFO and a director of the Manager) (collectively, the “**Management Services Officers and Directors**”), were paid indirectly through the Manager or DCI, as applicable, rather than directly through the Company. Management Services Officers and Directors received no remuneration directly from the Company for the period January 1, 2015 to May 31, 2015. The Management Agreement was terminated as of June 1, 2015 by mutual agreement between the Company and the Manager.

Pursuant to the terms of the Management Agreement, any direct or indirect remuneration paid by the Company to any of the Management Services Officers and Directors was to be deducted from the Management Fee. The Company did not determine the compensation paid by the Manager to any Management Services Officers and Directors. However, the Company did determine the compensation paid to employees of the Company who are not officers, directors or employees of the Manager. The Management Fee paid under the Management Agreement was designed to pay the Manager for the management of the Company. Additionally, certain of the amounts to be earned under the Management Agreement were designed to reward the Manager for achieving pre-tax profits above certain prescribed benchmarks. For more information on the Management Agreement, including information concerning the methodology for calculating the Management Fee, see “*Management Contracts – The Management Agreement*” below.

Under the Management Agreement, for the year ended December 31, 2015, the Company expensed \$934,987 in relation to the Management Fee. All such expenses relate to the period in the year during which the Management Agreement was still in effect, being January 1, 2015 to May 31, 2015. Of this amount, as at December 31, 2015, \$nil was included in accounts payable and accrued liabilities. No remuneration was paid by the Company to Management Services Officers and Directors in their capacity as such in 2015.

The following informed persons, each resident in the Province of Ontario, being Henry Kneis, Michael Wekerle, Victor Duong, Thomas Astle and Thomas Liston had an indirect interest in respect of the Management Fee, in the amounts of \$100,000, \$nil, \$66,667, \$100,000 and \$100,000, respectively, in 2015.

The Corporate Governance, Compensation and Nominating Committee reviewed and approved the compensation arrangements under the Management Agreement, including the possible payment of a Performance Fee. At that time, the Corporate Governance, Compensation and Nominating Committee reviewed management agreements and compensation policies of comparable companies and determined that the compensation structure within the Management Agreement was reasonable and consistent with

market practice. In particular, the Corporate Governance, Compensation and Nominating Committee assessed the risks associated with the payment of a Performance Fee and considered whether this would encourage the Manager to take greater risks in its investment of the Company's portfolio than if the Manager had no opportunity to earn such performance fees. The Board has a role in risk oversight and reviewed the performance of the Manager and the Company's portfolio investments on a quarterly basis. See "*Management Contracts – The Management Agreement*" for a more detailed discussion of the terms and performance benchmarking contained therein.

Effective June 1, 2015, all employees of the Manager and DCI became full time employees of the Company (the "**Management Internalization**").

Levels of compensation and each of its components are based on the ability of employees to advance the goal of creating value for the Shareholders. Individual performance and the Company's performance are the key variables in determining compensation levels. The Company's employee compensation program is comprised of three components: base salary, cash and incentive bonuses, and long term compensation through stock options.

Base salaries of senior employees are reflective of their roles, responsibilities and experience. To ensure that the Company will continue to attract and retain qualified and experienced employees, base salaries are also reviewed in light of compensation practices of comparable businesses.

Two types of cash bonus pools are made available for the remuneration of employees. The first such bonus is dependent on management cutting and/or maintaining base compensation below a threshold of approximately 2% of assets under management at the time of the Management Internalization. To the extent that total base compensation is less than this threshold, the difference is allocated amongst employees by the CEO on a subjective basis. The aggregate amount of this pool was \$712,500 in 2016.

There is also an annual objective cash incentive bonus pool. This bonus pool is equivalent to 20% of the increase in investable assets over a hurdle rate of 3.0% per annum, with a perpetual high water mark beginning with the December 31, 2015 net asset value of the Company. The incentive bonus pool for the year ended December 31, 2016 was nil.

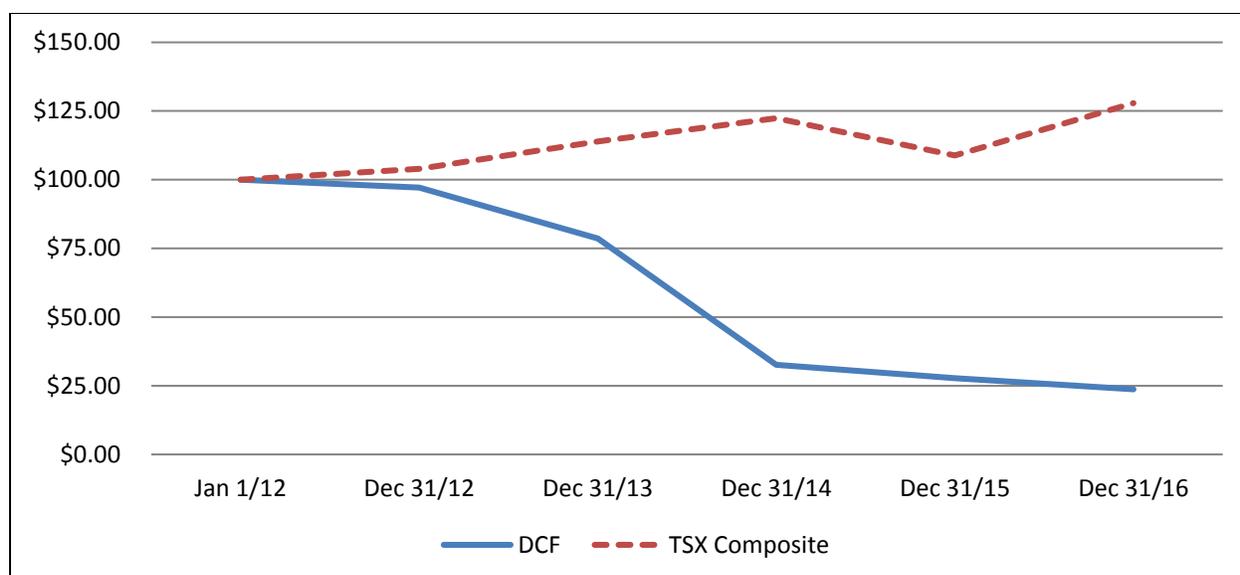
All individual bonus pool allocations are subject to review and approval by the Corporate Governance, Compensation and Nominating Committee and the Board.

The long term component of compensation is based on the Stock Option Plan. Please see "*Stock Option Plan*" below for further details.

The Company's directors and executive officers are not prohibited from purchasing financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds that are designed to hedge or offset a decrease in market value of equity securities granted as compensation by the Company or held, directly or indirectly, by the Company's directors and executive officers.

### ***Performance Graph***

The following graph illustrates changes over the five-year period from January 1, 2012 to December 31, 2016, in cumulative total shareholder return assuming that \$100 was invested in Common Shares on January 1, 2012 (with any dividends re-invested), compared with the S&P/TSX Composite Index.



The Company’s compensation to NEOs does not relate to the performance of the Common Shares; however, incentive compensation is available depending on certain cost-containment measures and the increase in investable assets for the year.

	Jan 1 2012	Dec 31 2012	Dec 31 2013	Dec 31 2014	Dec 31 2015	Dec 31 2016
Common Shares	\$100.00	\$97.14	\$78.57	\$32.57	\$27.71	\$23.71
S&P/TSX Composite Index	\$100.00	\$104.00	\$113.94	\$122.40	\$108.82	\$127.88

On May 29, 2017 (the last trading date prior to the date of this Circular), the closing price of the Common Shares on the TSX was \$4.30.

### ***Compensation Governance***

The Corporate Governance, Compensation and Nominating Committee is responsible for receiving and making recommendations to the Board on director and executive compensation matters. See “*Report on Corporate Governance – Corporate Governance, Compensation and Nominating Committee*”.

### ***Stock Option Plan***

The Stock Option Plan (or “**SOP**”) was initially adopted on June 22, 2009 and last approved by the Shareholders at the 2016 annual and special meeting of shareholders of the Company held on June 1, 2016 and will next be sought at the Company’s 2019 annual and special meeting of shareholders.

The Stock Option Plan is a means of compensating a director or employee of the Company or any of its affiliated entities, and any consultant who, because of his or her roles and responsibilities, is designated by the Board as a potential participant in the SOP, for their contributions to the performance of the Company (collectively, the “**Eligible Persons**”). The SOP is intended to (i) provide an incentive to Eligible Persons of the Company to further the development, growth and profitability of the Company; (ii) contribute in providing such Eligible Persons with a total compensation and rewards package; and (iii) assist the

Company in retaining and attracting directors, employees and consultants with experience and ability. Stock option grants are considered when reviewing compensation packages as a whole.

The Board designates, in its absolute discretion, from among the Eligible Persons those to whom options shall be granted (each, a “**Participant**”), the number of Common Shares to be covered by each option, the exercise price for each option, the period during which the same may be exercised and the other terms and conditions attaching thereto. The number of Common Shares that may be issued as a result of the grant of options under the SOP shall not exceed 10% of the number of the then-issued and outstanding Common Shares of the Company at the time of grant.

The SOP provides that the exercise price of the options may not be lower than the closing price of the Common Shares on the TSX, on the trading day prior to the date of the grant of an option; provided that if there is no closing price on such trading day, then market value shall mean the mid-point between the bid and ask at the close of trading on the trading day prior to the date of grant.

The SOP provides, among other things, that: (i) no individual (or his associates) shall be granted options which could result in the issuance of Common Shares exceeding 5% of the total number of issued and outstanding Common Shares of the Company, within a one-year period, to such individual (and his associates) in the aggregate; (ii) the number of Common Shares reserved for issuance to any individual pursuant to options shall not exceed 5% of the number of issued and outstanding Common Shares; (iii) the number of Common Shares reserved for issuance, pursuant to the SOP and all other established or proposed share compensation arrangements of the Company, to all insiders shall not exceed 10% of the issued and outstanding Common Shares; (iv) the number of Common Shares issued within a one-year period, pursuant to the SOP and all other established or proposed share compensation arrangements of the Company, to insiders shall not exceed 10% of the issued and outstanding Common Shares; (v) the number of options granted to all individuals employed to conduct investor relations activities, or to any one consultant, in any 12 month period shall not exceed 2% of the issued and outstanding Common Shares; and (vi) any options issued to consultants conducting investor relations activities shall vest in stages over 12 months with no more than 25% of such options vesting in any three (3) month period.

The SOP provides that the purchase price for the Common Shares covered by an option granted under the SOP shall be paid in full at the time of exercise of such option.

The SOP provides that: (i) each option shall be exercisable during a period established by the Board provided that the expiry of such period cannot exceed ten years after the date of grant (the “**Stock Option Expiry Date**”); and (ii) an option may be exercised at any time, or from time to time, during its term as to any number of whole Common Shares which are then available for purchase, provided that no partial exercise may be for less than 100 whole Common Shares.

Unless the Board decides otherwise, options granted under the SOP will expire at the earlier of the Stock Option Expiry Date and: (i) 12 months after the effective date of a Participant’s retirement or disability; (ii) 12 months after a Participant’s death; or (iii) 12 months after the effective date that a Participant ceases to be a full-time employee or consultant of the Company for any reason other than retirement, disability or death. The SOP also provides that if the term of an option of any Participant under the SOP expires during or within ten (10) Business Days of the expiration of a blackout period implemented by the Company, then the term of the option or the unexercised portion thereof shall be extended by ten (10) Business Days after the expiration of such blackout period.

The Board has the authority, at any time, to amend or revise the terms of the SOP, subject to the receipt of all necessary regulatory approvals, provided that no such amendment or revision shall alter the terms of any options previously granted under the SOP. The following may not be amended without approval of the

Shareholders of the Company: (i) increases to the maximum number of Common Shares reserved for issuance under the SOP; (ii) amendments to grant additional powers to the Board to amend the SOP or entitlements without Shareholder approval; (iii) reduction in the exercise price of options granted pursuant to the SOP or other entitlements held by insiders; (iv) extension of the term of options granted pursuant to the SOP held by insiders; and (v) changes to the insider participation limits which result in Shareholder approval to be required on a disinterested basis.

The Board may at any time and from time-to-time by resolution terminate the SOP, but no such termination shall, except with the written consent of the Participants concerned, affect the terms and conditions of options previously granted under the SOP to the extent that they have not been exercised, unless the rights of such Participants shall then have terminated or been wholly exercised.

In 2016, 405,000 options were issued under the SOP (the “**Options**”) to employees and directors of the Company. See “*Incentive Plan Awards – Outstanding Share and Option Based Awards*”.

### **Summary Compensation Table**

In this Circular, a “**Named Executive Officer**” or “**NEO**” means: (a) the Company’s CEO; (b) the Company’s CFO; (c) the three other most highly compensated executive officers of the Company at the end of the financial year ended December 31, 2016 whose total compensation, individually, was greater than \$150,000; and (d) each individual who would be a Named Executive Officer but for the fact that the individual was neither an executive officer of the Company or its subsidiaries, nor serving in a similar capacity, at the end of the financial year ended December 31, 2016.

The NEOs for the Company for the financial year ended December 31, 2016 were Henry Kneis as CEO, Victor Duong as CFO, Thomas Astle as Chief Investment Officer, and Thomas Liston as Managing Partner.

Mr. Wekerle has no written employment agreement. Mr. Wekerle received \$nil in compensation, directly and indirectly, from the Company in 2015, and received \$nil in compensation from DCI and the Manager in 2015. Mr. Kneis was the CFO of the Company from January 1, 2015 to May 31, 2015, during which period he received \$nil direct compensation from the Company, but received \$100,000 from DCI pursuant to an unwritten consulting agreement. Mr. Kneis became CEO of the Company on June 1, 2015.

From January 1, 2015 to May 31, 2015, Messrs. Duong, Astle and Liston were employees of the Manager, but not employees of the Company. For this period, they received \$nil direct compensation from the Company, but did receive \$66,667, \$100,000, \$100,000, respectively, from the Manager pursuant to their written employment agreements with the Manager.

The following table presents the compensation earned by the Named Executive Officers for the years ended December 31, 2016, December 31, 2015 and December 31, 2014.

*[Remainder of this page intentionally left blank]*

Name and Principal Position	Year	Salary <sup>(1)</sup> (\$)	Share-Based Awards (\$)	Option-Based Awards (\$) <sup>(8)</sup>	Non-Equity Incentive Plan Compensation		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans (\$)	Long-Term Incentive Plans (\$)			
<b>Henry Kneis</b> <sup>(3)</sup> Chief Executive Officer	2016	\$300,000	Nil	\$108,015	\$223,000	Nil	Nil	Nil	\$631,015
	2015	\$175,000 <sup>(2)</sup>	Nil	Nil	\$137,500	Nil	Nil	\$100,000	\$412,500
	2014	Nil	Nil	Nil	Nil	Nil	Nil	\$240,000	\$240,000
<b>Victor Duong</b> <sup>(4)(7)</sup> Chief Financial Officer	2016	\$200,000	Nil	\$67,509	\$162,500	Nil	Nil	Nil	\$430,009
	2015	\$134,167 <sup>(2)</sup>	Nil	Nil	\$50,000	Nil	Nil	\$87,500	\$271,667
	2014	Nil	Nil	Nil	Nil	Nil	Nil	\$210,000	\$210,000
<b>Thomas Astle</b> <sup>(5)(7)</sup> Chief Investment Officer	2016	\$280,000	Nil	\$94,513	\$165,000	Nil	Nil	Nil	\$539,513
	2015	\$163,333 <sup>(2)</sup>	Nil	Nil	\$80,000	Nil	Nil	\$100,000	\$343,333
	2014	Nil	Nil	Nil	Nil	Nil	Nil	\$240,000	\$240,000
<b>Thomas Liston</b> <sup>(6)</sup> Managing Partner	2016	\$240,000	Nil	\$94,513	\$172,500	Nil	Nil	Nil	\$507,013
	2015	\$140,000 <sup>(2)</sup>	Nil	Nil	\$115,000	Nil	Nil	\$100,000	\$355,000
	2014	Nil	Nil	Nil	Nil	Nil	Nil	\$240,000	\$240,000

Notes:

- (1) Under the Management Agreement, remuneration to Management Services Officers and Directors for the period January 1, 2015 to May 31, 2015 was to be deducted from payments pursuant to the Management Fee. None of the Named Executive Officers received compensation from the Company for the period of January 1, 2015 to May 31, 2015 and therefore no deductions in respect thereof were made from distributions under the Management Agreement. The Management Agreement was terminated effective June 1, 2015.
- (2) The salary amounts represent compensation for seven (7) months only: the period from June 1, 2015 to December 31, 2015.
- (3) Mr. Kneis was appointed CEO of the Company on June 1, 2015, in which position Mr. Kneis receives an annual salary of \$300,000. Mr. Kneis was the CFO of the Company until May 31, 2015, in which position Mr. Kneis received an annual salary in 2015 of \$nil. Mr. Kneis was also the CFO, Chief Operating Officer and director of DCI, in which positions Mr. Kneis received salary compensation for the period of January 1, 2015 to May 31, 2015 in the amount of \$100,000, which represents an indirect interest in the Management Fee. Prior to January 1, 2015, Mr. Kneis was the CFO, Chief Operating Officer and director of DCI, in which positions Mr. Kneis received an annual salary of \$240,000 in 2014 with such amount representing an indirect interest in the Management Fee. Mr. Kneis was also the CEO, CFO and director of the Manager, in which positions he received compensation of \$nil for each of 2015 and 2014.
- (4) Mr. Duong was appointed CFO of the Company on June 1, 2015, in which position Mr. Duong received total base compensation of \$230,000. Prior to June 1, 2015, Mr. Duong was the Vice President, Finance of DCM, in which position Mr. Duong received salary compensation for the period of January 1, 2015 to May 31, 2015 and 2014 in the amounts of \$66,667 and \$210,000, respectively, which represent an indirect interest in the Management Fee. In connection with the Management Internalization, Mr. Duong received an additional \$20,833 in compensation from the Company as, under his employment agreement with DCM, this amount did not become payable until December 31, 2015.
- (5) Mr. Astle was appointed Chief Investment Officer of the Company on June 1, 2015, in which position Mr. Astle receives an annual salary of \$280,000. Prior to June 1, 2015, Mr. Astle was Managing Partner of DCM, in which position Mr. Astle received salary compensation for the period of January 1, 2015 to May 31, 2015 and 2014 in the amounts of \$100,000 and \$240,000, respectively, which represent an indirect interest in the Management Fee.
- (6) Mr. Liston was appointed Managing Partner of the Company on June 1, 2015, in which position Mr. Liston receives an annual salary of \$240,000. Prior to June 1, 2015, Mr. Liston was Managing Partner of DCM, in which position Mr. Liston received salary compensation for the periods of January 1, 2015 to May 31, 2015 and 2014 in the amounts of \$100,000 and \$240,000, respectively, which represent an indirect interest in the Management Fee.
- (7) On April 13, 2017, Mr. Duong resigned as CFO of the Company and was replaced by Mr. Astle, who will serve as CFO on an interim basis.
- (8) The Company has adopted fair value accounting for options granted under the SOP using the Black-Scholes fair value option pricing method, an established methodology. The key assumptions made in the valuation of the awards set out in the above table for fiscal 2016 were as follows: (i) risk-free interest rate: 0.75%; (ii) expected option life: 5 years; (iii) dividend yield: 0%; (iv) expected volatility: 45% and (v) expected forfeiture rate: 6%.

## Incentive Plan Awards

### *Outstanding Share and Option Based Awards*

During the year-ended December 31, 2016, the Board issued an aggregate of 270,000 Options to the Named Executive Officers. An additional 55,000 Options were issued to other employees of the Company.

The Options have an exercise price of \$6.70 per Common Share and an expiry date of March 13, 2026. One-third (1/3) of the Options were immediately vested, one-third vested on March 14, 2017 and the balance will vest on March 14, 2018.

The following table sets forth the option-based awards for each Named Executive Officer outstanding as of December 31, 2016. No share-based awards were outstanding as of December 31, 2016.

<b>Option-Based Awards</b>				
<b>Name</b>	<b>Number of Securities Underlying Unexercised Options (#)</b>	<b>Option Exercise Price (\$)</b>	<b>Option Expiration Date</b>	<b>Value of Unexercised in-the-money Options (\$)<sup>(1)</sup></b>
Henry Kneis	80,000	\$6.70	March 31, 2026	Nil
Victor Duong	50,000	\$6.70	March 31, 2026	Nil
Thomas Astle	70,000	\$6.70	March 31, 2026	Nil
Thomas Liston	70,000	\$6.70	March 31, 2026	Nil

Note:

(1) The value of unexercised in-the-money options is based on the difference between the exercise price of the options and the closing price of the Common Shares on the TSX on December 30, 2016, being the last trading day of fiscal 2016, of \$4.15 per Common Share.

There were no options exercised during the Company's most recently completed financial year. There was no re-pricing of stock options under the SOP or otherwise during the Company's most recently completed financial year.

### *Value Vested or Earned During the Financial Year ended December 31, 2016*

The following table sets forth, with respect to each Named Executive Officer, the value vested or earned of incentive plan awards during the year ended December 31, 2016.

<b>Name</b>	<b>Option-Based Awards – Value Vested During the Year (\$)<sup>(1)</sup></b>
Henry Kneis	Nil
Victor Duong	Nil
Thomas Astle	Nil
Thomas Liston	Nil

Note:

(1) The value of the Options that vested during the financial year is based on the difference between the exercise price of the options and the closing price of the Common Shares on the TSX on the applicable vesting date. If the closing price of the Common Shares on such date was below the exercise price, the options had no then current value and are valued at nil. The Options may not have been exercised on such date or subsequently and, accordingly, the amount shown may not reflect the actual amount, if any, realized by the Named Executive Officer.

## Pension Plan Benefits

The Company does not have a defined benefit plan, defined contribution plan or deferred compensation plan.

## Termination of Employment, Change of Control Benefits

The Company has entered into employment agreements with Messrs. Kneis, Astle and Liston that provide for benefits upon termination. The Company may terminate the employment of such individuals for cause without notice or pay.

The Company may terminate Mr. Kneis' employment without notice or cause by making a lump sum payment in lieu of notice equal to twelve months of total annual compensation plus an additional one month of total annual compensation for each completed year of service, to a maximum of twenty-four months. Assuming all criteria and preconditions in Mr. Kneis' employment agreement are satisfied, and that Mr. Kneis was terminated without cause on December 31, 2016, the estimated amount payable to Mr. Kneis by the Company is \$800,000.

As noted above, Mr. Duong resigned as CFO of the Company in April 2017 and was paid his full compensation owed to April 15, 2017 only.

The Company may terminate Mr. Astle's employment without notice or cause by making a lump sum payment equal to nine months of total annual compensation plus an additional one month of compensation for each completed year of service, to a maximum of eighteen months. Assuming all criteria and preconditions in Mr. Astle's employment agreement are satisfied, and that Mr. Astle was terminated without cause on December 31, 2016, the estimated amount payable to Mr. Astle by the Company is \$560,000.

The Company may terminate Mr. Liston's employment without notice or cause by making a lump sum payment equal to one month of total annual compensation for each completed year of service, to a maximum of twelve months. Assuming all criteria and preconditions in Mr. Liston's employment agreement are satisfied, and that Mr. Liston was terminated without cause on December 31, 2016, the estimated amount payable to Mr. Liston by the Company is \$91,563.

None of the employment agreements with Messrs. Kneis, Astle and Liston provide for change of control benefits.

## Compensation of Directors

The following table sets out the amounts that the directors of the Company received as compensation for their services performed in the most recently completed financial year:

Name	Fees earned (\$)	Share-based awards (\$)	Option-based awards (\$) <sup>(2)</sup>	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Michael Wekerle	\$50,000	N/A	\$27,004	N/A	N/A	Nil	\$77,004
John Albright	\$75,000	N/A	\$27,004	N/A	N/A	Nil	\$102,004
Riyaz Lalani	\$75,000	N/A	\$27,004	N/A	N/A	Nil	\$102,004
Jason Marks	\$75,000	N/A	\$27,004	N/A	N/A	Nil	\$102,004

Notes:

- (1) The relevant disclosure with respect to Mr. Kneis, the Chief Executive Officer of the Company, is provided above, under the headings “Summary Compensation Table” and “Incentive Plan Awards”.
- (2) The Company has adopted fair value accounting for options granted under the SOP using the Black-Scholes fair value option pricing method, an established methodology. The key assumptions made in the valuation of the awards set out in the above table for fiscal 2016 were as follows: (i) risk-free interest rate: 0.75%; (ii) expected option life: 5 years; (iii) dividend yield: 0%; (iv) expected volatility: 45% and (v) expected forfeiture rate: 6%.

As of the date hereof, each independent director of the Company is remunerated at the rate of \$75,000 per annum. The current Chairman of the Company receives no compensation for his role as director and Chairman. Because the CEO is a member of management, he receives no additional compensation for his role as a director of the Company. Members of the Board are reimbursed by the Company for all travel and other out-of-pocket expenses.

The Company has no other compensation plan for non-executive directors, other than the Stock Option Plan.

## **Incentive Plan Awards**

### ***Outstanding Share and Option Based Awards***

During fiscal 2016, 80,000 options in the aggregate were issued under the SOP to non-executive directors of the Company.

The following table sets forth the option-based awards for each Director outstanding as of December 31, 2016. No share-based awards were outstanding as of December 31, 2016.

#### **Option-Based Awards**

<b>Name</b>	<b>Number of Securities Underlying Unexercised Options (#)</b>	<b>Option Exercise Price (\$)</b>	<b>Option Expiration Date</b>	<b>Value of Unexercised in-the-money Options (\$)<sup>(1)</sup></b>
Michael Wekerle	20,000	\$6.70	March 31, 2026	Nil
John Albright	20,000	\$6.70	March 31, 2026	Nil
Riyaz Lalani	20,000	\$6.70	March 31, 2026	Nil
Jason Marks	20,000	\$6.70	March 31, 2026	Nil

Note:

- (1) The value of unexercised in-the-money options is based on the difference between the exercise price of the options and the closing price of the Common Shares on the TSX on December 30, 2016, being the last trading day of fiscal 2016, of \$4.15 per Common Share.

*[Remainder of this page intentionally left blank]*

***Value Vested or Earned During the Financial Year ended December 31, 2016***

The following table sets forth, with respect to each Director, the value vested or earned of incentive plan awards during the year ended December 31, 2016.

<b>Name</b>	<b>Option-Based Awards – Value Vested During the Year (\$)<sup>(1)</sup></b>	<b>Non-Equity Incentive Plan Compensation – Value Earned During the Year (\$)</b>
Michael Wekerle	Nil	-
John Albright	Nil	-
Riyaz Lalani	Nil	-
Jason Marks	Nil	-

**Note:**

(1) The value of the Options that vested during the financial year is based on the difference between the exercise price of the Options and the closing price of the Common Shares on the TSX on the applicable vesting date. If the closing price of the Common Shares on such date was below the exercise price, the Options had no then current value and are valued at nil. The options may not have been exercised on such date or subsequently and, accordingly, the amount shown may not reflect the actual amount, if any, realized by the director.

**SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

The following table sets forth information as at December 31, 2016, with respect to the Company's compensation plans under which equity securities were authorized for issuance as at the end of the Company's most recently completed financial year:

<b>Plan category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)<sup>(1)</sup></b>	<b>Weighted-average exercise price of outstanding options, warrants and rights (b)</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)</b>
Equity compensation plans approved by securityholders	405,000	\$6.70	180,862
Equity compensation plans not approved by securityholders	N/A	N/A	N/A
<b>TOTAL</b>	<b>405,000</b>	<b>N/A</b>	<b>180,862</b>

**Note:**

(1) Comprised of Common Shares issuable upon exercise of Options granted under the SOP.

As at the end of the Company's most recently completed financial year, the aggregate number of Common Shares which were reserved for issuance under the Stock Option Plan was 585,862 (representing 10% of the Company's outstanding Common Shares as at December 31, 2016). As at the date of this Circular, 405,000 Options have been issued and are outstanding under the Stock Option Plan.

## **INDEBTEDNESS TO COMPANY OF DIRECTORS AND EXECUTIVE OFFICERS**

No director or executive officer or any associate of any of them is, or since the beginning of the last completed financial year of the Company was, indebted to the Company, or has been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company.

## **INDEMNIFICATION OF DIRECTORS AND OFFICERS**

The Company indemnifies its directors and officers against certain losses arising from claims against them for their acts, errors or omissions in such capacity. The Company maintains liability insurance for its directors and officers. The policy provides insurance for directors and officers of the Company in respect of certain losses arising from claims against them for their acts, errors or omissions in their capacity as directors or officers. The Company is also insured against any loss arising out of any payment that it may be required or permitted by law to make to directors or officers in respect of such claims. The policy does not distinguish between the liability insurance for its directors and officers, the coverage being the same for both groups. The primary policy limit for such insurance coverage is \$10,000,000 for the 12 months ending January 31, 2018 with no deductible for non-indemnifiable claims and a deductible of \$25,000 for corporate reimbursements per occurrence. The policy also has a \$1,000,000 sub-limit for errors and omissions, with a \$75,000 deductible. The total premiums payable by the Company for the fiscal year ended December 31, 2016 were \$65,000. In addition, the Company has entered into indemnification agreements with all of its directors and also with those officers that sit as directors on the boards of investee companies in their capacities as employees of the Company.

## **CONFLICTS OF INTEREST**

From time to time, directors and officers of the Company may serve as directors, officers, and members of management of other public companies, including companies in which the Company has investments, and may also be shareholders of such companies, and therefore it is possible that a conflict may arise between their duties as a director, officer, or member of management of such other companies, or their interests as a shareholder of such other companies, and as a director or officer of the Company.

The Company's directors and officers are aware of the existence of laws governing accountability of directors and officers for corporate opportunities and requiring disclosures by directors and officers of conflicts of interest, and in the case of directors, requiring them to abstain from voting on matters in respect of which they have a conflict of interest. The Company relies upon each director and officer to comply with such laws in respect of conflicts of interest and fiduciary duties.

## **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

No director or executive officer or Shareholder who beneficially owns, directly or indirectly, or exercises control or direction over, more than 10% of the outstanding Common Shares, or any known associate or affiliate of any such person, has or had any material interest, direct or indirect, in any transactions during the year ended December 31, 2016 or in any proposed transaction, that has materially affected or will materially affect the Company.

## **SHAREHOLDER PROPOSALS FOR NEXT ANNUAL MEETING**

A registered Shareholder or beneficial owner of Common Shares may (a) submit to the Company notice of any matter that the person proposes to raise at the next annual meeting of shareholders of the Company (a "**proposal**"); and (b) discuss at the meeting any matter in respect of which the person would have been

entitled to submit a proposal, subject to the requirements under section 137 of the CBCA. The Company shall set out such proposal and the accompanying supporting statement, if any, in the management information circular for the next annual meeting of shareholders, provided that the proposal is submitted to the Company at least 90 days before the anniversary date of the notice of meeting that was sent to shareholders in connection with the previous annual meeting of shareholders. No shareholder proposals were received by the Company with respect to the Meeting.

#### **ADDITIONAL INFORMATION**

Additional information relating to the Company is available on the SEDAR website maintained by the Canadian securities regulators at [www.sedar.com](http://www.sedar.com). Financial information relating to the Company is provided in the Company's annual financial statements and MD&A for its most recently completed financial year, which are available on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com), or Shareholders may request that copies be sent to them upon written request to the Corporate Secretary of the Company at 200 Front Street West, Suite 2504, Toronto, Ontario, M5V 3L1.

#### **APPROVAL OF DIRECTORS**

The contents and sending of this Circular have been approved by the directors of the Company.

**DATED** as of this 30<sup>th</sup> day of May, 2017.

**BY ORDER OF THE BOARD OF DIRECTORS**

*(signed) "Henry Kneis"*

Chief Executive Officer

## SCHEDULE “A”

### POSITION DESCRIPTION OF THE BOARD CHAIR (the “Board Chair”)

The Board Chair is a director who is designated by the Board. The Board Chair’s key role is to take all reasonable measures to ensure that the Board (i) has structures and procedures in place to enable it to function independently of management, (ii) carries out its responsibilities effectively and (iii) clearly understands and respects the boundaries between Board and management responsibilities.

The Board Chair’s responsibilities include the following:

(a) *With respect to leadership to enhance Board effectiveness*

- taking all reasonable steps to ensure that the Board works as a cohesive group and providing the leadership essential to achieve this;
- taking all reasonable steps to ensure that the resources available to the Board (in particular timely and relevant information) are adequate to support its work and permit it to properly make major decisions when such decisions are required.

(b) *With respect to the management of the Board*

- chairing Board meetings and meetings of shareholders;
- setting the agenda for the Board, in consultation with the chief executive officer (the “CEO”);
- adopting procedures allowing the Board to conduct its work effectively and efficiently;
- working closely with the CEO to ensure that management strategies, plans and performance matters are presented to the Board;
- overseeing committee structure and composition, as well as the scheduling and management of meetings;
- periodically reviewing with the Corporate Governance, Compensation and Nominating Committee (the “**Governance Committee**”) the size and composition of the Board and its committees to favour effective decision-making;
- recommending committee chairs to the Board, in consultation with the Governance Committee;
- taking all reasonable steps to ensure that the conduct of Board meetings provides adequate time for serious in-depth discussion of relevant issues;
- taking all reasonable steps to ensure that, where functions are delegated to appropriate committees, the functions are carried out and results are reported to the Board.

(c) *With respect to Board quality and continuity*

- meeting, from time to time, with the Governance Committee to review Board, Board committee, committee chairs and Board members' performance and to discuss nominees as directors to be submitted to the Board for its approval;

(d) *With respect to relationships between the Board, management and with external groups*

- providing advice and counsel to the CEO;
- facilitating the conduct of relationships between the Board and management in a professional and constructive manner. This involves working closely with the CEO, the General Counsel (if applicable) to take all reasonable steps to ensure that the Company is building a healthy governance culture;
- ensuring that management is aware of any concerns of the Board, shareholders and other stakeholders;
- leading the Board in monitoring and evaluating the performance, strategies, aims and directions of the investment team, to ensure the accountability of the investment team;
- at the request of the Board or the CEO, representing the Company to external groups such as shareholders and others stakeholders;
- ensuring that the Company and, where applicable, the Board are appropriately represented at official functions and meetings with aforementioned groups.

## SCHEDULE “B”

### BOARD MANDATE AND GOVERNANCE GUIDELINES

#### **BOARD MANDATE**

The mandate of the board of directors (the “**Board**”) shall be to enhance long-term value for shareholders. Its role shall be of a supervisory nature and in the discharge of its mandate, it shall assume responsibility for broad corporate policies and for the overall effective and ethical performance of the Company.

The Board reviews, and may periodically modify, this document as appropriate to reflect the evolution of its governance practices.

The Board, directly or through its committees, assumes specific responsibility for the following functions:

(c) *Strategic Planning*

- The Board will regularly review, question and approve applicable investment strategies proposed by management and the execution of its duties and responsibilities. Management’s responsibility is to develop corporate strategic plans which take into account the opportunities and risks of the business, and to implement such plans once Board review is complete.
- The Board will monitor corporate performance against strategic plans including assessing operating results on behalf of shareholders to evaluate whether the investments are being properly managed.

(d) *Risk Assessment*

- The Board will have overall responsibility for assessing the principal risks facing the Company’s investments, reviewing options for their mitigation and overseeing the implementation of appropriate systems to manage such risks.

(e) *Communications Policy*

- The Board will approve the Company’s policies and practices with respect to disclosure of financial and other information consistent with disclosure requirements under applicable securities law.

(f) *Accounting and Financial Reporting/Disclosure Controls and Procedures and Internal Controls*

- The Board will oversee the quality and integrity of the Company’s accounting and financial reporting systems, internal controls and disclosure controls and procedures to assure the results that the controls are designed to achieve.

#### **GOVERNANCE GUIDELINES**

##### **2. The Chair of the Board**

The policy of the Board will be to select as Non-Executive Chair a director who is not an executive of the Company.

3. **Independence and Qualification of Directors**

At a minimum, a majority of the Board shall be composed of directors who must be determined to have no material relationship with the Company and who, in the reasonable opinion of the Board, must be unrelated and independent under the laws, regulations and listing requirements to which the Company is subject. The Board will monitor the mix of skills and experience of its directors in order to assure that it has the necessary tools to perform its oversight function effectively.

When a director's principal business association changes significantly, the director will tender his or her resignation for consideration by the Board of the continued appropriateness for Board service.

4. **Lead Director**

The Board shall select a Lead Director from among its independent members.

5. **Board Meetings**

Directors are expected to attend Board meetings and meetings of committees on which they serve and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities. Materials that are important to the Board's understanding of the business to be conducted at a meeting shall be distributed in ample time for review beforehand. After appropriate consultations, the Chair of the Board will establish the agenda for each Board meeting. Board members shall be free to suggest items for inclusion on the agenda or to raise subjects that are not on the agenda for that meeting.

6. **Committees**

The Board will delegate certain of its functions to committees. The Company's current committee structure (Audit Committee, Corporate Governance, Compensation and Nominating Committee, and Investment Committee) is considered appropriate. However, this structure may change as the Board considers from time to time which of its responsibilities can best be fulfilled through a detailed review of matters in committee. Committees will operate according to Board-approved written mandates outlining duties and responsibilities. Task force committees may, however, be established on an ad hoc basis to deal with specific subjects. All members of committees shall meet the independence criteria set forth in applicable laws, rules or listing requirements. Committee members shall be appointed by the Board after consultation with the individual directors. Committee chairs shall be rotated periodically.

The chair of each committee, in consultation with committee members, shall determine the frequency and length of committee meetings, consistent with any requirements set forth in the committee's charter. After appropriate consultations, the chair of each committee shall develop the committee's agenda. Each committee will report on the result of each committee meeting at the next Board meeting.

7. **Director Access to Personnel**

Directors shall have full and free access to senior management and other employees of the Company. Meetings or contacts that a director wishes to initiate may be arranged through the CEO or directly by the director.

8. **Communications with Outside Parties**

If an outside party approaches a director on a matter of interest to the Company, the director should bring the matter to the attention of the Chief Executive Officer who shall determine an appropriate response.

9. **Retirement from the Board**

There shall be no prescribed retirement age for directors of the Company. The Corporate Governance, Compensation and Nominating Committee shall as part of its mandate periodically review director performance.

10. **Director Compensation**

The form and amount of director compensation will be determined by the Board. The Board shall conduct reviews of director compensation at least every two years. Directors who are not employees of the Company or any of its subsidiaries or affiliates shall not enter into any consulting arrangements with the Company.

11. **Individual Directors Engaging Outside Advisors**

Any director may, after notice to and with the consent of the Chair, retain an external advisor at the Company's expense.

12. **Orientation and Continuing Education**

New directors shall participate in an informal orientation process to become familiar with the Company and its strategic plans and businesses, significant financial matters, core values including ethics, compliance programs, corporate governance practices and other key policies and practices through a review of background materials and meetings with senior executives.

13. **Board Confidentiality**

Directors will maintain the absolute confidentiality of the deliberations and decisions of the Board and the information received at meetings.

14. **Resources and Authority of the Board**

The Board shall have the resources and authority appropriate to discharge its duties and responsibilities, including the authority to retain counsel or other experts as it deems appropriate.

15. **Indemnification**

The Company will provide reasonable directors' and officers' liability insurance for the directors and shall indemnify directors to the fullest extent permitted by law.

## SCHEDULE “C”

### POSITION DESCRIPTION OF THE CHIEF EXECUTIVE OFFICER

The Chief Executive Officer (the “CEO”) is responsible for the management of Difference Capital Financial Inc.’s (the “Company”) strategic and operational agenda and for the execution of the Board’s resolutions and policies.

The responsibilities of the CEO include the following:

(a) *With respect to strategic orientation*

- assuming accountability for the development and execution of the Company’s strategy and policies and, where appropriate, their communication to the Company’s key internal and external stakeholders;
- formulating and recommending to the Board a business plan;
- ensuring the efficient utilization of the Company’s resources to meet the Company’s strategic objectives.

(b) *With respect to the management of the Company*

- managing the business and affairs of the Company;
- developing and monitoring the Company’s organizational structure, business plans and budgets to meet goals and objectives, as approved by the Board;
- assuming responsibility for the Company’s day-to-day operations, including capital management and financial management, as well as for acquisitions and divestitures, all of which must be accomplished within the Company’s strategic framework;
- ensuring that the Company has in place effective disclosure controls and procedures and internal control over financial reporting capable of producing periodic reports that fairly present the Company’s business, financial condition and results of operations in a timely and accurate manner and enables investors to understand the business and to make investment decisions accordingly;
- taking all reasonable steps to identify, assess and manage the risks that the Company takes in the course of its business;
- ensuring that the Company recruits, develops and retains talented and motivated employees;
- ensuring that the Board’s policies with respect to compliance with laws, rules and regulations are met;
- fostering a corporate culture that promotes ethical practices and encourages individual integrity.

(c) *With respect to governance matters*

- overseeing the development of governance principles applicable to the Company;
- collaborating with the Board Chair in the setting of Board agendas;
- ensuring that the Board Chair and the Board are kept appropriately informed of the Company's overall business operations and major issues facing the Company;
- maintaining an effective communication link with the Board Chair and the Board as a whole;
- taking all reasonable steps to ensure that an open and positive climate exists between the Company and its stakeholders;
- serving as the Company's key spokesperson on all major issues.

Because of the CEO's demanding role and responsibilities, the Board Chair, in consultation with the Corporate Governance, Compensation and Nominating Committee, shall review any invitation to the CEO to join an outside board of directors to take all reasonable steps to ensure that such directorship would not impair the CEO's ability to fulfill the responsibilities of the position.

## SCHEDULE “D”

### CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF DIFFERENCE CAPITAL FINANCIAL INC. (THE “COMPANY”)

#### I. Role of the Committee

The audit committee (the “**Committee**”) is appointed by the board of directors of the Company (the “**Board**”) to assist the Board to promote and improve the credibility and objectivity of financial reports.

The Committee shall oversee the accounting and financial reporting processes of the Company and review and recommend for approval by the Board the financial statements, management’s discussion and analysis (“**MD&A**”), annual information form (“**AIF**”) and interim earnings press releases.

The Committee will manage the relationship between the Company and the external auditors by overseeing the work of the external auditors and by making recommendations to the Board on the engagement, remuneration and termination of the external auditors based on its evaluation of performance.

The Committee shall pre-approve all non-audit services the external auditors propose to provide to the Company.

The Committee shall facilitate and maintain open communications among management of the Company, the external auditors, and the Board.

The Committee shall be responsible for the discharge of such other duties as may be prescribed by regulatory authorities or delegated by the Board.

#### II. Membership

The Committee shall be comprised of three or more directors all of whom shall be independent as determined by the Board in conformity with the laws, regulations and listing requirements to which the Company is subject. An independent Committee member is one who has no direct or indirect material relationship with the Company. A material relationship means a relationship which could, as determined by the Board, reasonably interfere with the exercise of a member’s independent judgment. The Chair of the Committee shall be appointed by the Board. A quorum shall consist of two directors.

All members of the Committee shall in the judgment of the Board be “financially literate”. “Financially literate” shall mean the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements.

#### III. Meetings

The Committee shall meet at least four times per year and at such other times as any member of the Committee deems necessary to fulfill its responsibilities. The Company’s external auditors will normally be required to attend all meetings. At each regular meeting, the Committee shall meet separately with management and the external auditors to discuss any matters the committee or any of these parties believe should be discussed privately.

#### **IV. Reporting to the Board**

The Committee shall report on the results of each meeting of the Committee at the next meeting of the Board. All minutes, supporting schedules and data received and reviewed by the Committee are to be available for examination by any member of the Board upon request to the secretary of the Committee.

#### **V. Authority**

The Committee shall have direct access to all books, records, facilities and personnel of the Company, including to the external auditor as it determines this to be advisable. All employees of the Company are to cooperate as requested by Committee members.

The Committee shall have the authority to retain persons having special expertise in legal, accounting or other matters as it determines to be necessary to assist it in discharging its responsibilities. The Committee shall have the authority to set and pay the compensation of any advisors it engages.

The Board may authorize the Committee to investigate any activity of the Company.

#### **VI. Responsibilities**

In the discharge of its role, the Committee will have the responsibility to:

- (a) recommend to the Board the external auditors to be nominated for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company and the compensation of the external auditors;
- (b) confirm the external auditors are participants in good standing with the Canadian Public Accountability Board;
- (c) confirm the direct reporting and accountability of the auditors to the Committee and through the Committee to the Board as representatives of the Company's shareholders;
- (d) pre-approve any non-audit services to be provided by the external auditors and generally assess the independence of the external auditors having reference to the independence standards of the Canadian Institute of Chartered Accountants, whereby the pre-approval requirement may be satisfied if:
  - (i) the aggregate amount of all the non-audit services that were not pre-approved constitutes no more than 5% of the total amount of revenues paid by the Company to its external auditors during the fiscal year in which the services were provided;
  - (ii) the services were not recognized by the Company at the time of the engagement to be non-audit services; and
  - (iii) the services were promptly brought to the attention of the Committee and approved, prior to the completion of the audit, by the Committee or by one or more members of the Committee to whom the Committee may delegate authority to grant such approvals;
- (e) verify the rotation of the lead audit partner and/or the audit partner responsible for reviewing the audit as required by law;

- (f) review and approve the Company's hiring policies regarding employees or persons previously employed by the present or former external auditors;
- (g) review the scope of the external auditors' audit plan and the procedures to be utilized with the external auditors and with management;
- (h) review with management and with the external auditors all major accounting policies and practices adopted, any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates and judgments of management that may be material to financial reporting;
- (i) question management regarding significant variances between comparative reporting periods;
- (j) review with management and the external auditors and recommend to the Board the audited annual financial statements and the quarterly financial statements of the Company;
- (k) question management and the external auditors regarding significant financial reporting issues discussed during the fiscal period and the method of resolution;
- (l) review any restrictions imposed by management in performing the external audit or significant accounting issues on which there was a disagreement with management;
- (m) review the post-audit or management letter, containing the recommendations of the external auditors, and management's response and subsequent follow up to any identified weakness;
- (n) review and recommend for the approval by the Board the AIF, MD&A, news releases and any financial guidance and all public disclosure documents containing audited or unaudited financial information before release;
- (o) review the audit plan issued by the external auditors and subsequent follow up to any identified weakness;
- (p) review with management significant financial risk exposures, the steps taken to monitor and control such exposures and approve any related policies;
- (q) review with management the status of any material pending or threatened litigation;
- (r) inquire of management as to the Company's disclosure controls and procedures and as to the existence of any significant deficiencies in the design or operation of internal controls and any fraud that involves employees who have a significant role in the Company's internal controls; and
- (s) review the status of compliance with laws and regulations and the scope and status of systems designed to ensure compliance therewith and receive reports from management, legal counsel and other third parties as determined by the committee on such matters, as well as major legislative risks.

## **VII. Allocation of Responsibilities**

Management is responsible for operating the business of the Company and for its internal controls and the financial reporting process. The external auditors are responsible for performing an independent audit of

the Company's consolidated financial statements in accordance with generally accepted auditing standards and for issuing a report thereon. The external auditors shall report and be accountable to the Committee and through the Committee to the Board as representatives of the Company's shareholders. The Committee's responsibility is to monitor and oversee these processes on behalf of the Board. The Committee is not charged with the duty to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and in accordance with generally accepted accounting principles.

The existence of the Committee and the delegation to it of certain powers and duties by the Board does not relieve individual members of the Board from the responsibility of satisfying themselves that the affairs of the Company are being properly conducted.

### **VIII. Complaints**

Concerns or complaints submitted to management of the Company, including but not restricted to concerns and complaints which relate to accounting, internal accounting controls or audit matters, shall be referred to the Chair of the Committee. The Committee shall deal with all such internal complaints relating to such matters.

No reprisal, retaliation or disciplinary action shall be taken against employees for reporting, in good faith, such concerns. The Chair of the Committee shall, if requested by the complainant, keep the identity of the complainant in confidence to the extent appropriate or permitted by law.

### **IX. Annual Review**

The audit committee shall review the adequacy of this Charter on an annual basis and recommend any changes to the Board.

## SCHEDULE “E”

### INVESTMENT POLICY

#### Investment Strategies and Criteria

The Company provides investors with an opportunity to gain exposure to unique investments. The Company generally, albeit not exclusively, seeks to invest in the mid to later stages of a target private company’s development or in emerging technologies that are developed and validated but may be in the early stage of commercialization. This strategy allows the Company to invest in enterprises that are commercially viable and have visibility toward high growth. In the past, the Company has also made significant investments in early stage private companies as well as opportunistic investments in distressed United States real estate. The Company no longer seeks to allocate capital to real estate investments, and is currently seeking to divest such assets in the medium term.

The Company is not bound to commit to any particular sector, thereby allowing for diversification; however, the present focus is generally on technology-related, media-related and other growth-focused, intellectual property-rich target companies. This approach may change over time as market conditions change and the capital markets respond. The Company evaluates each opportunity on its merits. The Company enters investments at a stage where potential exists to maximize strong returns and manages risk by applying the considerable business expertise of its directors and officers to the investments undertaken. With the continued investment of the Company’s resources into strategically targeted sectors, the Company is well positioned to benefit from a global economic recovery and positive trends in Canadian and international growth companies. There are very few institutional investors in Canada focused on this sector, providing an opportunity for our team to capitalize on evolving growth trends.

In pursuit of returns, the Company, when appropriate, employs the following disciplines:

- The Company seeks to invest in later stage financings of private target companies. These rounds are typically labeled as series C or D rounds or “Pre-IPO”.
- The Company seeks investments that include as many of the following characteristics as possible: (i) a product/service with global market potential; (ii) an established business model with high gross margins that indicate strong competitive advantages; (iii) the ability to sustain a growth rate in excess of 25% per annum; (iv) protected intellectual property; (v) scalability; and (vi) currently generating revenue in excess of several million dollars.
- At this time, the Company seeks investments primarily, albeit not exclusively, in the technology and media sectors where we have developed domain expertise and focuses on investments with clear paths to liquidity in a two to four year period. As investee companies need to be managed for cash flow in order to reduce financing risks associated with delayed liquidity events, certain sectors will not be considered by the Company.
- To compensate for the risk of investing in private companies, the Company has a target rate of return when entering such an investment of greater than a typical equity index return. Returns are expected to materialize partially from income on its debt and convertible debenture holdings, but primarily through capital gains based on the growth of its investments in equity and equity-linked securities.
- The Company acquires a detailed knowledge of the business and sector of the target company.

- Where appropriate, the Company seeks board representation or board observation rights.
- The Company utilizes the services of independent advisors and consultants to acquire additional information about target companies where appropriate.

The Company continues to be focused on the overall liquidity of its balance sheet. It intends to make only very few select new investments in the coming year, while focusing on supporting existing investee companies and on monetizing appropriate positions when and where possible in order to generate funds to fulfill its July 31, 2018 debt repayment obligations.

### **Types of Investments**

The Company may create a concentrated portfolio consisting of equity and/or debt investments. The composition of the portfolio will depend, in part, on available capital and investment opportunities available to the Company and will vary over time depending on an array of factors, including the state of financial markets.

### **Diversification and Risk Mitigation**

The Company's policy with respect to investment diversification is to investigate a wide range of opportunities from emerging technologies to products available for everyday use. Each investment will be assessed on its own merits and its potential to generate gains for the Company.

The Company may seek board representation, board observation rights or to participate on the board of advisors in investments that may benefit from such participation, although it is not required and is at the discretion of the Company's management. Debt placements with equity conversion rights may be secured by the borrower's assets. The Company has no particular requirements with respect to the allocation of its investments between equity and debt. Investment allocations will be made on the merits of individual investments.

### **Exit Strategies**

The Company seeks to exit its private equity investments through the sale of an investee to another operating entity (known as a trade sale or a merger and acquisition transaction "M&A") or through the sale of its interests in the secondary markets typically after an investee has listed its securities on a recognized stock exchange (also known as an initial public offering, or IPO, transaction). For venture capital investments, M&A is typically the most common form of exit and can occur in most market conditions, while IPO exits increase when public market conditions are strong.

With respect to the Company's private debt investments, most include a conversion-to-equity feature, which allows the Company to participate in an investee's upside by converting the debt into investee shares in a favourable M&A or IPO situation for an exit. Alternatively, the Company would look to exit its debt investments through a repayment of the principal plus accrued and unpaid interest on the maturity date or through an early buyout provision to be funded by cash flow from the investee or a sale of the latter's assets. When the Company invests, it looks for exit opportunity time horizons in the two to four year range.