



**NOTICE AND MANAGEMENT INFORMATION CIRCULAR  
FOR ANNUAL MEETING OF SHAREHOLDERS  
OF  
COVINGTON FUND II INC.**

**AND**

**NOTICE AND MANAGEMENT INFORMATION CIRCULAR  
FOR ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS  
OF  
COVINGTON VENTURE FUND INC.,  
COVINGTON STRATEGIC CAPITAL FUND INC., and  
NEW GENERATION BIOTECH (EQUITY) FUND INC.**

**November 26, 2009**

**COVINGTON GROUP OF FUNDS**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS OF  
COVINGTON FUND II INC.**

**AND**

**NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS OF  
COVINGTON VENTURE FUND INC., COVINGTON STRATEGIC CAPITAL FUND INC. AND  
NEW GENERATION BIOTECH (EQUITY) FUND INC.**

**NOTICE IS HEREBY GIVEN** that an annual meeting (the "Meeting") of the shareholders of Covington Fund II Inc. and an annual and special meeting of the shareholders of Covington Venture Fund Inc., Covington Strategic Capital Fund Inc. and New Generation Biotech (Equity) Fund Inc. (collectively, the "Funds" and each a "Fund") will be held at the offices of Gowling Lafleur Henderson LLP, 1 First Canadian Place, 100 King Street West, Suite 1600, Toronto, Ontario on Thursday, November 26, 2009. The annual meeting of Covington Fund II Inc. and the annual and special meeting of Covington Strategic Capital Fund Inc. will be held at 1:30 p.m. (Toronto time); and the annual and special meetings of Covington Venture Fund Inc. and New Generation Biotech (Equity) Fund Inc. will be held at 2:30 p.m. (Toronto time) for the following purposes:

- (a) to receive the financial statements for the financial year ended August 31, 2009 for Covington Fund II Inc., Covington Strategic Capital Fund Inc. and New Generation Biotech (Equity) Fund Inc. and the financial statements for the financial year ended July 31, 2009 for Covington Venture Fund Inc., together with the auditors' reports thereon;
- (b) to elect the directors for each of the Funds for the ensuing year;
- (c) to appoint auditors for each of the ensuing year and to authorize the directors to fix their remuneration;
- (d) to approve an amendment to the management agreement of each of Covington Venture Fund Inc., Covington Strategic Capital Fund Inc. and New Generation Biotech (Equity) Fund Inc. to clarify that redemption fees shall be charged by those funds and paid to the managers of those funds in the event those funds undertake various transactions which cause the related distribution services fees to cease to be paid to the managers of those funds; and
- (e) to transact such further and other business as may properly come before the meeting or any adjournment thereof.

This Notice is accompanied by a form of Proxy and a Management Information Circular which provides particulars of the matters set out in this Notice.

DATED at Toronto this 22<sup>nd</sup> day of October 2009.

**BY ORDER OF THE BOARD OF DIRECTORS OF NEW  
GENERATION BIOTECH (EQUITY) FUND INC. AND  
COVINGTON VENTURE FUND INC.**

*"Philip R. Reddon"*  
Philip R. Reddon  
Director and Chief Executive Officer

**BY ORDER OF THE BOARD OF DIRECTORS OF  
COVINGTON FUND II INC. AND COVINGTON  
STRATEGIC CAPITAL FUND INC.**

*"Henry J. Pankratz"*  
Henry J. Pankratz  
Director

At the Meeting, holders of the Class A Shares and Class B Shares are entitled to one vote per share. Shareholders who are unable to attend the Meeting are requested to complete, sign and return the enclosed form of proxy in the envelope provided for that purpose.

## COVINGTON GROUP OF FUNDS

### COVINGTON FUND II INC., COVINGTON VENTURE FUND INC., COVINGTON STRATEGIC CAPITAL FUND INC. AND NEW GENERATION BIOTECH (EQUITY) FUND INC.

#### JOINT MANAGEMENT INFORMATION CIRCULAR

#### SOLICITATION OF PROXIES

This management information circular (the "Circular") is furnished in connection with the solicitation of proxies by the management of Covington Fund II Inc., Covington Venture Fund Inc., Covington Strategic Capital Fund Inc. and New Generation Biotech (Equity) Fund Inc. (hereinafter referred to collectively as the "Funds" and each individually as a "Fund") to be used at the annual meeting of the shareholders of Covington Fund II Inc., or at the annual and special meeting of the shareholders of Covington Venture Fund Inc., Covington Strategic Capital Fund Inc. or New Generation Biotech (Equity) Fund Inc. (collectively, the "Meetings" and each individually a "Meeting"), as applicable, each of which is to be held at the offices of Gowling Lafleur Henderson LLP, First Canadian Place, 100 King Street West, Suite 1600, Toronto, Ontario on Thursday, November 26, 2009, and at any adjournment or adjournments thereof for the purposes set forth in the Notice of Meeting. The Meetings of Covington Fund II Inc. and Covington Strategic Capital Fund Inc. will be held at 1:30 p.m. (Toronto time); and the Meetings of Covington Venture Fund Inc. and New Generation Biotech (Equity) Fund Inc. will be held at 2:30 p.m. (Toronto time). It is expected that such solicitation will be primarily by mail however proxies may also be solicited by the directors or officers of the Funds by means of telephone, facsimile or in person. The cost of the solicitation of proxies by management will be borne by each of the Funds. All information set forth herein unless otherwise stated is as at October 9, 2009.

#### APPOINTMENT, REVOCATION AND DEPOSIT OF PROXIES

The persons named in the enclosed form of proxy are officers and/or directors or nominees of management of the Funds. **A SHAREHOLDER HAS THE RIGHT TO APPOINT ANY OTHER PERSON TO REPRESENT HIM OR HER AT THE MEETINGS AND MAY DO SO BY INSERTING IN THE BLANK SPACE PROVIDED IN THE SAID FORM OF PROXY THE NAME OF THE PERSON, WHO NEED NOT BE A SHAREHOLDER, WHO HE OR SHE WISHES TO APPOINT, OR BY COMPLETING ANOTHER FORM OF PROXY AND IN EITHER CASE, DELIVERING THE COMPLETED PROXY TO THE PRESIDENT AND CHIEF EXECUTIVE OFFICER OF THE APPLICABLE FUND, NOT LATER THAN THE DAY PRECEDING THE DAY OF THE MEETINGS OR BY DEPOSITING IT WITH THE CHAIRMAN OF THE APPLICABLE MEETING PRIOR TO THE COMMENCEMENT OF THE MEETINGS.**

Shareholders who are unable to attend the Meetings in person should complete and sign the enclosed proxy and return same in the enclosed envelope in order that it is received by CI Investments Inc. at CI Place, 151 Yonge Street, Eighth Floor, Toronto, Ontario M5C 2W7. The proxy should be sent to the attention of Third Party Administration at CI Investments Inc. any time up to 1:00 p.m. (Toronto time) on November 25, 2009 or 24 hours (excluding Saturday, Sunday and holidays) prior to any adjournment of a Meeting.

A shareholder executing the enclosed form of proxy has the power to revoke it at any time before it is exercised. Section 148(4) of the *Canada Business Corporations Act* and Section 110(4) of the *Business Corporations Act* (Ontario) set out a procedure for revoking proxies by the deposit of an instrument in writing at the registered office of the Fund at any time up to and including the last business day preceding

the day of the Meetings or with the Chairman of such Meeting on the day of the Meetings or any adjournment thereof or in any other manner permitted by law.

A shareholder attending a Meeting has the right to vote in person and if he or she does so, his or her proxy is nullified with respect to the matters such person votes upon and any subsequent matters thereafter to be voted upon at the Meeting or any adjournment thereof.

### MANNER OF VOTING AND EXERCISE OF DISCRETION BY PROXIES

The Chairman of a Meeting may conduct a vote on any matter by a show of hands of the shareholders and proxy holders present at the Meeting and entitled to vote unless a ballot is demanded by a shareholder present at the Meeting or by a proxy holder entitled to vote at the Meeting. Proxies in favour of management will be voted on any ballot that may be called for and, where instructions are given with respect to a particular matter to be acted upon, such proxies will be voted in accordance with such instructions. **If no instructions are given with respect to the particular matters to be acted upon, such proxies will be voted in favour of the motion described.**

The form of proxy confers discretionary authority in respect of amendments or variations to matters identified in the Notice of Meeting and other matters that may properly come before the Meetings.

At the time of printing this Circular the management of the Funds knows of no such amendments, variations or other matters to come before the Meetings other than the matters referred to in the Notice of Meeting. **However, if other matters that are not known to the management should properly come before the Meetings, the accompanying proxy will be voted on such matters in accordance with the best judgment of the person or persons voting the proxy.**

A simple majority of the votes cast either in person or by proxy is sufficient to pass all the matters specified in the Notice of Meeting. In the case of an equality of votes, the Chairman of the Meeting shall be entitled to a second or casting vote.

### VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The authorized capital of the Funds consists of an unlimited number of shares as listed below:

Fund	Class of Shares and Series	Authorized Number of Shares	Issued and Outstanding Number of Shares as of October 9, 2009
Covington Fund II Inc.	Class A	Unlimited	10,260,104
	Class B	25,000	100
	Class C	Unlimited	-
	Class D	100	-
Covington Venture Fund Inc.	Class A Series I	Unlimited	5,510,378
	Class A Series II	Unlimited	63,251
	Class A Series III	Unlimited	163,135
	Class A Series IV	Unlimited	617,394
	Class A Series V	Unlimited	1,683,264
	Class A Series VI	Unlimited	2,288,702
	Class A Series VII	Unlimited	1,305,630
	Class A Series VIII	Unlimited	434,523
	Class A Series IX	Unlimited	1,416,271
	Class B Shares	Unlimited	600
Covington Strategic Capital Fund Inc.	Class A Series I	Unlimited	897,222
	Class A Series II	Unlimited	343,888
	Class B	Unlimited	200
	Class C	Unlimited	-

<b>Fund</b>	<b>Class of Shares and Series</b>	<b>Authorized Number of Shares</b>	<b>Issued and Outstanding Number of Shares as of October 9, 2009</b>
New Generation Biotech (Equity) Fund Inc.	Class A Series I	Unlimited	5,218,456
	Class A Series II	Unlimited	1,625,815
	Class A Series III	Unlimited	1,448,929
	Class B	Unlimited	100

At the Meetings, holders of all classes of shares are entitled to one vote per share.

In accordance with National Instrument 54-101 - Communication with Beneficial Owners of Securities of the Reporting Issuer, the Funds have fixed the close of business on October 9., 2009 as the record date for the purpose of determining shareholders entitled to receive the Notice of Meeting. All shareholders of record as at the close of business on the record date will be entitled to vote at the applicable Meeting except to the extent that any such shareholder has since the record date transferred any of his or her shares. In such case, a transferee of those shares may produce properly endorsed share certificates, or otherwise establish that he or she owns the shares and provided that he or she has demanded no later than 10 days before the Meetings that a Fund recognize the transferee as the person entitled to vote the transferred shares, such transferee will be entitled to vote his or her shares at the Meeting.

At the date of this Circular, to the knowledge of management, no person or company owns of record, and management knows of no person or company who owns beneficially, directly or indirectly, more than 10% of the issued Class A Shares of any of the Funds. The directors and senior officers of the Funds, as a group, and the directors and senior officers of Covington Capital Inc. ("Covington Capital") beneficially own, directly or indirectly, less than 1% of the issued and outstanding Class A Shares of each of the Funds. The Canadian Police Association ("CPA") owns of record and beneficially all 100 issued and outstanding Class B Shares of Covington Fund II Inc. and all 200 issued and outstanding Class B Shares of Covington Strategic Capital Fund Inc. The Canadian Federal Pilots Association ("CFPA") owns of record and beneficially all 600 issued and outstanding Class B Shares of Covington Venture Fund Inc. and all 100 issued and outstanding Class B Shares of New Generation Biotech (Equity) Fund Inc.

## **PARTICULARS OF MATTERS TO BE ACTED UPON**

### **1. Presentation of Financial Statements**

The financial statements for the year ended July 31, 2009 for Covington Venture Fund Inc. and for the year ended August 31, 2009 for the remaining Funds and the auditor's reports thereon, each of which are contained in the applicable Fund's annual report (the "Financial Statements"), will be placed before the applicable Meeting. Copies of the Financial Statements will be sent to those shareholders that have requested to receive them pursuant to securities legislation.

Copies of the Financial Statements and annual and interim reports of fund performance which contain financial information about the Funds may be obtained from Covington Capital at 200 Front Street West, Suite 3003, P.O. Box 10, Toronto, Ontario M5V 3K2 or by telephoning 416-365-0060 or toll free 1-866-244-4714 or by visiting the website of the Funds at [www.covingtonfunds.com](http://www.covingtonfunds.com) or SEDAR at [www.sedar.com](http://www.sedar.com).

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

#### **2.1 Covington Fund II Inc.**

The Board presently consists of six (6) directors, all of whom are deemed to retire at the Meeting but are eligible for re-election. Management proposes six (6) directors be elected at the Meeting for the ensuing year.

The articles of Covington Fund II Inc. provide that holders of Class A Shares are entitled, as a class, to elect two (2) directors and the holders of the Class B Shares, are entitled, as a class to elect the remaining directors, provided that such number of directors which the holders of the Class B Shares are entitled to elect shall be a majority of the total number of directors. For the Meeting, the holders of the Class B Shares, the CPA, are entitled, as a class, to elect four (4) directors and the holders of the Class A Shares are entitled, as a class, to elect two (2) directors.

The management representatives designated in the enclosed form of proxy intend to vote in favour of the nominees whose names are set out below. Management does not contemplate that any of the proposed nominees will be unable to serve as a director but, if that should occur for any reason prior to the Meeting, the management representatives designated in the enclosed form of proxy reserve the right to vote for another nominee at their discretion. Each director elected will hold office until the next annual meeting of the shareholders of the Fund or until his or her successor is elected or appointed unless, prior thereto, he or she resigns or his or her office becomes vacant by reason of death or other cause under applicable law.

The CPA as the holder of all of the Class B Shares is entitled to elect the remaining number of directors not elected by the holders of the Class A Shares, provided that such number of directors which the holders of the Class B Shares are entitled to elect shall be a majority of the total number of directors. The CPA has agreed with the Fund that it will elect as directors of the Fund three persons who are either members of the CPA or persons independent of the CPA but approved by the balance of the board. The remaining appointee of the CPA will be nominated jointly by the CPA and Covington Capital and will be independent of both parties.

The following table and the notes thereto state the names of such persons, and other positions and offices with the Fund now held by them, their principal occupations or employment, their periods of service as directors of the Fund and the approximate number of Class A Shares of the Fund beneficially owned or over which control or direction is exercised by each of them as of the date hereof. The Fund has an Audit Committee, a Valuation Committee and a Governance and Policy Review Committee and, if elected, the proposed directors will sit on these Committees as indicated in the table.

<b>Name and Municipality of Residence</b>	<b>Major positions with the Fund</b>	<b>Principal Occupation</b>	<b>Director Since</b>	<b>Class A Shares Beneficially Owned as at October 9, 2009</b>
R. Scott Colbran (**) Acton, Ontario	Chair of Valuation Committee and Director	Communications Consultant and Company Director. Director – Look Communications Inc. Past President & CEO Look Communications Inc. (1999). Past President & COO, Rogers Cable TV (1996). Past President, MacLean Hunter Cable TV (1994).	November 21, 2002	614
Terrence B. Kulka(*) <sup>(2)</sup> Ottawa, Ontario	Chair, Audit Committee Member, Governance & Policy Review Committee Chair and Director	Director of the Executive MBA Program, University of Ottawa, Telfer School of Management.	November 27, 2008	Nil

Name and Municipality of Residence	Major positions with the Fund	Principal Occupation	Director Since	Class A Shares Beneficially Owned as at October 9, 2009
Ray Massicotte (*) (1) Ottawa, Ontario	Governance & Policy Review Committee Member and Director	Director, Canadian Police Association. President, Waterloo Regional Police Association.	Nominee	Nil
Larry Molyneux (*) (1) Toronto, Ontario	Valuation Committee Member and Director	President, Police (2008) Association of Ontario Director, Member Benefits of the Toronto Police Association since 2004. Director, Canadian Police Association.	November 27, 2008	Nil
Charles Momy (*) (1) Ottawa, Ontario	Audit Committee Member, Governance & Policy Review Committee Member and Director	President, Canadian Police Association (2008-present) Past President, Ottawa Police Association (2003-2008). Director, Canadian Police Association (since 2005).	November 27, 2008	Nil
Henry J. Pankratz (**) Toronto, Ontario	Audit Committee Chair, Valuation Committee Member and Director	Corporate Director since retiring as Deputy Chairman of Ernst & Young in 1999. Director of LPF Infrastructure Fund and Fengate/Greenfield Infrastructure Fund	November 20, 2003	Nil

(\*) Class B Nominee

(1) CPA Nominee

(2) joint nominee of CPA/Covington Capital

(\*\*) Class A Nominee

In the election of directors, the four nominees of the CPA will be elected by signed resolution or by ballot cast at the Meeting by the CPA. The other nominees which receive the highest number of affirmative votes cast at the Meeting by holders of the Class A Shares who vote in respect of the election of directors in person or by proxy shall be elected as directors.

## 2.2 Covington Venture Fund Inc.

The Board presently consists of seven (7) directors, all of whom are deemed to retire at the Meeting but are eligible for re-election. Management proposes that seven (7) directors be elected at the Meeting for the ensuing year.

The articles of Covington Venture Fund Inc. provide that the holders of Class A Shares are entitled, as a class, to elect one (1) director and the holders of Class B Shares are entitled, as a class, to elect the remaining directors, provided that such number of directors which the holders of the Class B Shares, are entitled, as a class, to elect shall be a majority of the total number of directors. For the Meeting, the holders of the Class B Shares, the CFPA, are entitled, as a class, to elect six (6) directors and the holders of the Class A Shares are entitled, as a class, to elect one (1) director.

The management representatives designated in the enclosed form of proxy intend to vote in favour of the nominees whose names are set out below. Management does not contemplate that any of the proposed nominees will be unable to serve as a director but, if that should occur for any reason prior to the Meeting, the management representatives designated in the enclosed form of proxy reserve the right to vote for another nominee at their discretion. Each director elected will hold office until the next annual meeting of the shareholders of the Fund or until his or her successor is elected or appointed unless, prior thereto, he or she resigns or his or her office becomes vacant by reason of death or other cause under applicable law.

CFPA Sponsor Inc., a wholly-owned subsidiary of CFPA, as the holder of all of the Class B Shares is entitled to elect the remaining number of directors not elected by the holders of the Class A Shares, provided that such number of directors which the holders of the Class B Shares are entitled to elect shall be a majority of the total number of directors. The CFPA has agreed with the Fund that it, or its nominee, will elect as directors of the Fund three (3) persons who are either members or designates of the CFPA and three (3) persons nominated by Covington Capital. To the extent that additional directors are elected by the CFPA, the CFPA and Covington Capital nominate them jointly. For the meeting the CFPA will elect six (6) persons as directors.

The following table and the notes thereto state the names of such persons, and other positions and offices with the Fund now held by them, their principal occupations or employment, their periods of service as directors of the Fund and the approximate number of Class A Shares of the Fund beneficially owned or over which control or direction is exercised by each of them as of the date hereof. The Fund has an Audit Committee and Valuation Committee and, if elected, the proposed directors will sit on these Committees as indicated in the table.

<b>Name and Municipality of Residence</b>	<b>Major positions with the Fund</b>	<b>Principal Occupation</b>	<b>Director Since</b>	<b>Class A Shares Beneficially Owned as at October 9, 2009</b>
Donald Bujold <sup>(*)</sup> (1) Nepean, Ontario	Director of the Fund	Retired Union Executive	January 6, 2006	202, Series I
Scott D. Clark <sup>(*)</sup> (2) Toronto, Ontario	Director of the Fund	President and CEO of Covington Capital	November 22, 2007	Nil
Dennis Dunster <sup>(*)</sup> (1) Ottawa, Ontario	Director of the Fund	Retired Union Executive	January 6, 2006	282, Series I
John R. Mott <sup>(*)</sup> (2) Toronto, Ontario	Chair of the Audit and Valuation Committee and Director of the Fund	Chartered Accountant in Private Practice	January 6, 2006	344 Series I
Philip R. Reddon <sup>(*)</sup> (2) Burlington, Ontario	Chief Executive Officer, President and Director of the Fund Member of the Audit and Valuation Committee	Managing Director of Covington Capital	September 21, 2007	519 Series III
Iain A. Robb <sup>(**)</sup> Toronto, Ontario	Chair, Member of the Audit and Valuation Committee and Director of the Fund	Partner of Gowling Lafleur Henderson LLP (law firm)	January 6, 2006	Nil
Daniel R. Slunder <sup>(*)</sup> (1) Ottawa, Ontario	Director of the Fund	Chairman of the CFPA	July 1, 2009	Nil

(\*) Class B Nominee

(1) Nominee of CFPA

(2) Nominee of Covington Capital

(\*\*) Class A Nominee

### 2.3 Covington Strategic Capital Fund Inc.

The Board presently consists of six (6) directors, all of whom are deemed to retire at the Meeting but are eligible for re-election. Management proposes that six (6) directors be elected at the Meeting for the ensuing year.

The articles of Covington Strategic Capital Fund Inc. provide that the holders of Class A Shares are entitled, as a class, to elect one (1) director and the holders of the Class B Shares, are entitled, as a class to elect the remaining directors, provided that such number of directors which the holders of the Class B Shares are entitled to elect shall be a majority of the total number of directors. For the Meeting, the holders of the Class B Shares, the CPA, are entitled, as a class, to elect five (5) directors and the holders of the Class A Shares are entitled, as a class, to elect one (1) director.

The management representatives designated in the enclosed form of proxy intend to vote in favour of the nominees whose names are set out below. Management does not contemplate that any of the proposed nominees will be unable to serve as a director but, if that should occur for any reason prior to the Meeting, the management representatives designated in the enclosed form of proxy reserve the right to vote for another nominee at their discretion. Each director elected will hold office until the next annual meeting or until his or her successor is elected or appointed unless, prior thereto, he or she resigns or his or her office becomes vacant by reason of death or other cause under applicable law.

The CPA as the holder of all of the Class B Shares is entitled to elect all of the directors except the one (1) director being elected by the Class A shareholders. The CPA has agreed with the Fund and Covington Capital that it will elect as directors of the Fund four (4) persons who are either members of the CPA or persons independent of the CPA but approved by the balance of the Board. The remaining appointee of the CPA will be nominated jointly by the CPA and Covington Capital and will be independent of both parties.

The Fund has an Audit Committee, a Valuation Committee and a Governance and Policy Review Committee and, if elected, the proposed directors will sit on these Committees as indicated in the following table.

The following table and the notes thereto state the names of such persons, and other positions and offices with the Fund now held by them, their principal occupations or employment, their periods of service as directors of the Fund and the approximate number of Class A Shares of the Fund beneficially owned or over which control or direction is exercised by each of them as of the date hereof.

<b>Name and Municipality of Residence</b>	<b>Major positions with the Fund</b>	<b>Principal Occupation</b>	<b>Director Since</b>	<b>Class A Shares Beneficially Owned as at October 9, 2009</b>
R. Scott Colbran(*) Acton, Ontario	Chair of Valuation Committee and Director	Communications Consultant and Company Director. Director – Look Communications Inc. Past President & CEO Look Communications Inc. (1999). Past President & COO, Rogers Cable TV (1996). Past President, MacLean Hunter Cable TV (1994).	November 21, 2007	Nil

Name and Municipality of Residence	Major positions with the Fund	Principal Occupation	Director Since	Class A Shares Beneficially Owned as at October 9, 2009
Terrence B. Kulka(*) (2) Ottawa, Ontario	Chair, Audit Committee Member, Governance & Policy Review Committee Chair and Director	Director of the Executive MBA Program, University of Ottawa, Telfer School of Management.	November 27, 2008	Nil
Ray Massicotte (*) (1) Ottawa, Ontario	Governance & Policy Review Committee Member and Director	Director, Canadian Police Association. President, Waterloo Regional Police Association.	Nominee	Nil
Larry Molyneux (*) (1) Toronto, Ontario	Valuation Committee Member and Director	President, Police Association of Ontario (2008). Director, member Benefits of the Toronto Police Association since October, 2004. Director Canadian Police Association	November 27, 2008	Nil
Charles Momy (*) (1) Ottawa, Ontario	Audit Committee Member, Governance & Policy Review Committee Member and Director	President, Canadian Police Association (2008-present). Past President, Ottawa Police Association (since 2003-2008). Director, Canadian Police Association (since 2005).	November 27, 2008	Nil
Henry J. Pankratz(**) Toronto, Ontario	Chair of Audit Committee, Valuation Committee Member and Director	Corporate Director since retiring as Deputy Chairman of Ernst & Young in 1999. Director of LPF Infrastructure Fund and Fengate/Greenfield Infrastructure Fund	November 20, 2003	Nil

(\*) Class B Nominee

(1) CPA Nominee

(2) joint nominee of CPA/Covington Capital

(\*\*) Class A Nominee

## 2.4 New Generation Biotech (Equity) Fund Inc.

The Board presently consists of six (6) directors, all of whom are deemed to retire at the Meeting but are eligible for re-election. Management proposes that six (6) directors be elected at the Meeting for the ensuing year.

The articles of New Generation Biotech (Equity) Fund Inc. provide that the holders of Class A Shares, are entitled, as a class, to elect one director and the holders of Class B Shares, the CFPA, are entitled, as a class, to elect the remaining number of directors, provided that such number of directors which the holders of the Class B Shares are entitled to elect shall be a majority of the total number of directors. For the Meeting, the holders of the Class B Shares are entitled, as a class, to elect five (5) directors and the holders of the Class A Shares are entitled, as a class, to elect one (1) director.

Management does not contemplate that any of the nominees will not be able to serve as a director, but if that should occur for any reason prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee at their discretion. Each director elected will hold office until his or her successor is duly elected at the next annual meeting of the shareholders of the Fund or until his

or her successor is duly elected unless, prior thereto, he or she resigns or his or her office becomes vacant by reason of death or other cause under applicable law.

CFPA Sponsor Inc., a wholly-owned subsidiary of CFPA, as the holder of all of the Class B Shares is entitled to elect the remaining number of directors not elected by the holders of the Class A Shares, provided that such number of directors which the holders of the Class B Shares are entitled to elect shall be a majority of the total number of directors. The CFPA and CFPA Sponsor Inc. have agreed to nominate and vote the Class B Shares in favour of the election, as directors of the Fund, of three (3) persons to represent the CFPA and two (2) persons to be nominated by Covington Capital.

The following table and the notes thereto state the names of such persons, and other positions and offices with the Fund now held by them, their principal occupations or employment, their periods of service as directors of the Fund and the approximate number of Class A Shares of the Fund beneficially owned or over which control or direction is exercised by each of them as of the date hereof. The Fund has an Audit Committee and Valuation Committee and, if elected, the proposed directors will sit on these Committees as indicated in the table.

<b>Name and Municipality of Residence</b>	<b>Major positions with the Fund</b>	<b>Principal Occupation</b>	<b>Director Since</b>	<b>Class A Shares Beneficially Owned as at October 9, 2009</b>
Scott D. Clark(*) (2) Toronto, Ontario	Director of the Fund	President and CEO Covington Capital	July 28, 2005	283, Class A, Series II
Donald Bujold (*) (1) Nepean, Ontario	Member of the Investment Committee, Director of the Fund	Retired Union Executive	December 27, 2000	Nil
Dennis Dunster(*) (1) Ottawa, Ontario	Member of the Audit and Valuation Committee, Director of the Fund	Retired Union Executive	December 27, 2000	Nil
Philip R. Reddon(*) (2) Burlington, Ontario	Chief Executive Officer, President and Director of the Fund	Managing Director of Covington Capital	September 21, 2007	Nil
Iain A. Robb (**) Toronto, Ontario	Chair, Member of the Audit and Valuation Committee, Director of the Fund	Partner of Gowling Lafleur Henderson LLP (law firm)	December 27, 2000	Nil
Daniel R. Slunder (*) (1) Ottawa, Ontario	Member of the Audit and Valuation Committee, Director of the Fund	Chairman of the CFPA	July 1, 2009	Nil

(\*) Class B Nominee

(1) CPA Nominee

(2) joint nominee of CFPA/Covington Capital

(\*\*) Class A Nominee

### **Biographical Information for Nominees to the Funds' Boards of Directors**

The following is a brief biographical description, including a description of the principal occupations for the last five years of each of the proposed nominees:

**Donald Bujold** is a director of the Covington Venture Fund Inc. and New Generation Biotech (Equity) Fund Inc. Mr. Bujold was the President of B&D Labour Consultants Inc., until its sale in July 2005. Up until the end of 2002, Mr. Bujold served as the Department Head of the United Steel Workers' of America, which position he held since 1999. Mr. Bujold was elected the National President of the Transportation-Communications Union ("TCU"), the predecessor of the United Steel Workers of America, in 1995. During

the period from 1987 to 1995, Mr. Bujold was the National Secretary-Treasurer of the TCU and from 1995 to 1999 he was the President of the TCU. Mr. Bujold has been a member of the TCU for over thirty-five years and was formerly General Chairman of the TCU Eastern Rail Division, representing members employed in CP Rail, CN Rail and other smaller railroads in Eastern Canada.

**Scott D. Clark** is a director of the New Generation Biotech (Equity) Fund Inc., director of Covington Venture Fund Inc. and President, CEO and director of Covington Capital. Mr. Clark joined Covington Capital in March 2001 as a Vice-President, Investments and has over 18 years of experience in the financial services industry, the last twelve of which have been in the private equity field and was appointed to CEO and President in September 2007. Mr. Clark is responsible for assessing new business opportunities, negotiating and structuring transactions and advising investee companies.

**R. Scott Colbran** is a director of Covington Fund II Inc. and Covington Strategic Capital Fund Inc. He is a company director and serves on the Boards of Look Communications Inc. and the Acura/Masstech Group. Mr. Colbran is a long time telecommunications industry executive. He worked for Maclean Hunter Cable TV and was appointed President in 1994. He was also President of Rogers Cable TV and was the Founding President and CEO of Look Communications Inc. Mr. Colbran has also served as an Industry Consultant to a variety of Canada's largest cable, telephone and broadcast companies. Mr. Colbran is currently a director of Look Communications Inc. and was on the Board of Directors on September 4, 2001, when Look Communications Inc. announced it had voluntarily sought and obtained protection under the Companies' Creditors Arrangement Act (CCAA) pursuant to an Order from the Ontario Superior Court of Justice. On February 11 2002, Look Communications Inc. implemented its Plan of Compromise and Arrangement under the Companies' Creditors Arrangement Act.

**Dennis Dunster** is a director of the Covington Venture Fund Inc. and New Generation Biotech (Equity) Fund Inc. Mr. Dunster was the Executive Vice-President of B&D Labour Consultants Inc. until its sale in July 2005. Up until the end of 2002, Mr. Dunster served as a Staff Representative of the United Steelworkers of America, which position he held since 1999. Mr. Dunster was elected the Executive Vice-President of the TCU, the predecessor of the United Steelworkers of America, in 1993. Mr. Dunster has been a member of the TCU for over twenty-five years representing members in the trucking and airline industries throughout Canada.

**Terrence B. Kulka** is a director of Covington Strategic Capital Fund Inc. and Covington Fund II Inc. He is the Director of the Executive MBA Program at the University of Ottawa, Telfer School of Management. Mr. Kulka is also an Adjunct Professor in the School of management where he teaches courses in General Management and Strategy and Corporate Governance and Business Ethics. Prior to joining the Telfer School of Management, Mr. Kulka spent 28 years in the telecom and technology sectors. As well, Mr. Kulka is a member of the Board of Canadian Advanced Technology Alliance (CATA) and is also on the Board of Directors of the Canadian Club of Ottawa. Mr. Kulka obtained his B.A. at Aquinas College in Michigan (1973) and his M.A. (1975) and Ph.D (1980) at McGill University in Montreal.

**Ray Massicotte** is currently the full time President of the Waterloo Regional Police Association and has been so employed for the past two years. Ray was recently elected to the Canadian Police Association as a Director. Ray began his career in 1978 and has worked in many areas of Policing including Patrol, Traffic, Detectives, Drugs and Criminal Intelligence. Ray was seconded to the Ontario Police College where he served in the Academic area teaching law. Ray currently holds the rank of Staff Sergeant.

**Larry Molyneaux** is a director of Covington Strategic Capital Fund Inc. and Covington Fund II Inc. He is the President of the Police Association of Ontario (August, 2008). Mr. Molyneaux serves on several Toronto Police Association ("TPA") Committees including the TPA Sick Benefits Committee and Medical Committee, the TPA Constitution Committee (where he is the Chair) and the TPA Bargaining Committee. Since 2006, Mr. Molyneaux has presided as the Chair of the Investment Committee of the Widow and Orphans Fund which presently manages over \$70 million in assets. He also serves as the Fund Treasurer and is a member of the Executive Board.

**Charles Andre Momy** is a director of Covington Strategic Capital Fund Inc. and Covington Fund II Inc. He is the President of the Canadian Police Association representing 52,000 police personnel. A police officer since 1988, Mr. Momy has held several significant posts during his career most notably head of the Polygraph Unit for the Ottawa Police Service, instructor/lecturer at the Canadian Police College Polygraph school and Ontario Police College. President of the Ottawa Police Association (2003-2008), and Director of the Canadian Police Association since 2005.

**John R. Mott** is a Director of the Covington Venture Fund Inc. Mr. Mott is a chartered accountant and an income tax specialist in private practice. He has an Honours Bachelor of Commerce degree from Lakehead University and a Masters of Business Administration from the University of Toronto. Mr. Mott has tutored for several years at the In-Depth Tax Course, the tax specialist-training program sponsored by the Canadian Institute of Chartered Accountants. He is a member of the Canadian Tax Foundation and has contributed to the Canadian Tax Journal and the Financial Post Magazine. Mr. Mott was a senior tax manager with the accounting firm of Ernst & Young prior to starting his own accounting practice in 1994. In addition to being a director of the Fund, Mr. Mott is a director of various other labour sponsored investment funds.

**Henry J. Pankratz** is a Director of the Covington Strategic Capital Fund Inc. and Covington Fund II Inc. He is currently a corporate director on a number of company boards. Mr. Pankratz retired as Deputy Chairman from Ernst & Young in 1999 after serving 38 years with the firm. Mr. Pankratz became a director of Millennium Biologix Corporation (MBC) on December 12, 2005 and of MBC's wholly owned subsidiary, Millennium Biologix Technologies Inc. (MBTI), on November 15, 2006. Mr. Pankratz resigned as a director of each of MBC and MBTI effective May 8, 2007, the date of the appointment of an interim receiver and receiver over all of the assets, undertakings and properties of each of MBC and MBTI. Mr. Pankratz is also a director of LPF Infrastructure Fund and Fengate/Greenfield Infrastructure Fund.

**Philip R. Reddon** is the Chief Executive Officer of Covington Venture Fund Inc., New Generation Biotech (Equity) Fund Inc., Covington Strategic Capital Fund Inc. and Covington Fund II Inc. and the Managing Director of Covington Capital. Phil joined Covington Capital in 2002 as Vice-President, Investments and has close to 20 years experience as an investment professional. As Managing Director, Mr. Reddon is responsible for assessing new business opportunities, negotiating and structuring transactions and advising investee companies.

**Iain A. Robb** is a partner of the law firm Gowling Lafleur Henderson LLP, where he is a member of the corporate finance department. Mr. Robb's practice is restricted to corporate and securities matters with a particular emphasis on mutual funds and structured investment products. Mr. Robb holds a Bachelor of Laws degree from the University of Toronto and a Bachelor of Arts (Industrial Relations) degree from McGill University. In addition to being a Director of the Fund, Mr. Robb is a director of various other labour sponsored investment funds. Mr. Robb was a director of the six predecessor corporations that were amalgamated to form the Fund.

**Daniel R. Slunder** is the National Chairman of the Sponsor. He began representing his fellow pilots in this role on July 1, 2009. Between 1997 and 2009, Mr. Slunder was a Civil Aviation Inspector responsible for the Approved Check Pilot Program with Transport Canada in Ottawa, Ontario. Prior to that Mr. Slunder served as a pilot with the Canadian Forces for 23 years, retiring at the rank of Major.

None of the Funds have an Executive Committee of its Board. New Generation Biotech (Equity) Fund Inc. has an Audit and Valuation Committee and an Investment Committee. Covington Venture Fund Inc. has an Audit and Valuation Committee. Covington Fund II Inc. and Covington Strategic Capital Fund Inc. each have a Governance and Policy Review Committee, an Investment Committee, an Audit Committee and a Valuation Committee. For both Covington Fund II Inc. and Covington Strategic Capital Fund Inc. all of the members of the Board of Directors serve on the Investment Committee.

Pursuant to the requirements of National Instrument 81-107 - Independent Review Committees for Investment Funds, each Fund has an independent review committee whose members are Miles Pittman (Chair), David French and Kevin Love. The members were appointed on May 1, 2007. The independent

review committee commenced operations effective October 11, 2007. In the current year, the IRC of the Funds met on January 26, May 21, June 29 and July 2. Effective July 2, 2009, due to a change of control of Covington Capital, Manager of the Funds, the members of the IRC ceased to be members. A new IRC was appointed on September 15, 2009. The new members of the IRC are: Henry J. Pankratz, R. Scott Colbran and Terrence Kulka.

### **3. Appointment of Auditors**

The persons designated in the enclosed form of proxy intend to vote for the reappointment of Ernst & Young LLP, P.O. Box 251, Toronto-Dominion Centre, Toronto, Ontario M5K 1J7, as auditors of each of the Funds and to authorize the directors to fix the auditors' remuneration. Ernst & Young LLP was first appointed as auditor of Covington Venture Fund Inc., New Generation Biotech (Equity) Fund Inc., Covington Fund II Inc. and Covington Strategic Capital Fund Inc. at each of their inception.

### **4. Amendment of Management Agreements**

Covington Capital Inc., or its predecessor in interest, as the manager or administrator of each of Covington Venture Fund Inc., Covington Strategic Capital Fund Inc. and New Generation Biotech (Equity) Fund Inc. (collectively, the "Affected Funds") has from time to time paid to registered dealers selling Class A Shares of the Affected Funds the sales commissions charged upon the initial sale of Class A Shares of the Affected Funds. All commissions paid were calculated with reference to the offering price of the Class A Shares and the prospectus under which the Class A Shares were offered disclosed that investors would, if they redeemed their Class A Shares prior to the eight (8) year anniversary of the date of issue, be charged a redemption fee, which redemption fee declined to nil at the end of such eight (8) year period.

The Affected Funds all pay distribution services fees to Covington Capital for a period of eight (8) years from the date of issue of Class A Shares in respect of which Covington Capital paid sales commissions. At the time those arrangements were made, it was anticipated that the Affected Funds would continue to offer securities for sale and that investors would only receive a return of their capital upon a redemption of their Class A Shares.

In the event that Class A Shares are redeemed, the distribution services fees cease to be paid in respect of their shares and the Affected Funds reimburse Covington Capital by paying to Covington Capital the redemption fees received from investors in Class A Shares.

As the labour sponsored investment fund program adjusts to the announced phased elimination of the provincial tax credit offered by the Government of Ontario upon the issue of Class A Shares, Covington Capital has been reviewing and considering future strategic options for the Affected Funds. As part of that review, Covington Capital requested that the boards of directors of the Affected Funds confirm, on behalf of the Affected Funds, that in the event that Covington Capital ceases to be the manager or administrator of an Affected Fund or the assets of the Affected Fund in respect of which it, or its predecessors paid sales commissions (an "extraordinary transaction"), that distribution services fees would continue to be paid until the eight (8) year anniversary of the date of issue of the Class A Shares in respect of which such fees are paid, or that the redemption fees charged by the Affected Funds will be paid to Covington Capital to reimburse it for the loss of the distribution services fees. It is currently contemplated that this would occur upon the redemption of Class A Shares, however Covington Capital is seeking assurance that upon an extraordinary transaction by any of the Affected Funds, it would continue to receive the payments required to enable it to repay the financing secured by Covington Capital to finance the payment of the sales commissions paid upon the issue of Class A Shares.

The boards of directors of each of the Affected Funds recommends that the management agreement between Covington Capital and each of the Affected Funds, be amended to clarify that issue so as to not arbitrarily limit the number of strategic options available to the Affected Funds over the next few years. The boards of directors of each of the Affected Funds are recommending approval by the shareholders of a resolution passed by the board of directors of each Affected Funds to make the obligation to continue to

pay distribution services fees or pay a redemption fee upon the redemption by an investor of his or her Class A Shares, or upon the happening of an extraordinary transaction.

**RESOLVED AS A RESOLUTION OF THE SHAREHOLDERS OF EACH OF THE AFFECTED FUNDS THAT:**

1. the Affected Fund is authorized to amend the management contract with Covington Capital to clarify that in the event that Covington Capital ceases to be the manager or administrator of an Affected Fund or the assets of the Affected Fund in respect of which it, or its predecessors paid sales commissions, that the existing distribution services fees would continue to be paid until the eight (8) year anniversary of the date of issue of the Class A Shares in respect of which such fees are paid, or that the redemption fees charged by the Affected Funds will be paid to Covington Capital in the same manner that would occur upon the redemption of Class A Shares; and
2. any one director or officer of the Fund is hereby authorized and directed to execute all such documents and to do and perform all other acts and things as he or she, in his or her sole and absolute discretion, deems necessary or desirable to carry out the intent of the foregoing resolution and the matters authorized thereby, such determination to be conclusively evidenced by the preparation and execution of such document or the doing or performance of such act or thing.

**EXECUTIVE COMPENSATION**

**Compensation of Executive Officers**

The executive officers of the Funds will receive no direct compensation or benefits, in cash or otherwise, from the Funds. The services of the Chief Executive Officer and the Chief Financial Officer of the Funds are to be provided at the expense of Covington Capital.

**Compensation of Directors**

Directors of Covington Fund II Inc., who are independent of the CPA are entitled to an annual fee of \$15,000 and a fee of \$750 for each meeting day. Directors of Covington Fund II Inc. who are representatives of the CPA are entitled to an annual fee of \$12,000. No additional fees are to be paid to the alternate members of any Committee.

Directors of Covington Venture Fund Inc. are entitled to receive an annual fee of \$7,500 and a fee of \$1,000 for each meeting of the board of directors or any committee thereof attended. Directors of the Fund who are members of the CFPA or are directors, officers or shareholders of the Covington Capital will receive no compensation for attending. However, all directors are entitled to be reimbursed for expenses incurred in attending meetings of the board of directors or any committee thereof.

Directors of Covington Strategic Capital Fund Inc., who are independent of the CPA, are entitled to an annual fee of \$7,000 and a fee of \$750 for each meeting day. Directors who are representatives of the CPA are entitled to a fee of \$500 for each meeting day.

Directors of New Generation Biotech (Equity) Fund Inc., who are independent of CFPA, are entitled to receive an annual fee of \$5,000 and a fee of \$500 for each meeting of the Board of Directors or any committee thereof attended, except where the director participates in a meeting by telephone, in which case the fee will be \$250. Directors of the Fund who are members of the CFPA or are directors, officers or shareholders of Covington Capital will receive no compensation for attending. However, all Directors are entitled to be reimbursed for expenses incurred in attending meetings of the board of directors or any committee thereof.

There are no other compensation plans or any stock option plans for the Funds' executive officers or directors.

## MANAGEMENT OF THE FUNDS

### Covington Capital Corporation

Covington Capital was established in 1994 to act as manager of Covington Fund I Inc. Since that time Covington Capital has taken on management responsibilities for a number of LSIF funds in Ontario. Covington Capital is a wholly-owned subsidiary of RC Capital Management Inc. ("RC Capital") which purchased Covington Capital from AMG Canada Corp. on July 2, 2009. RC Capital is owned equally by two trusts of which Scott D. Clark and Philip R. Reddon are the sole trustees. The head office of Covington Capital is at 200 Front Street, Suite 3003, P.O. Box 10, Toronto, Ontario M5V 3K2.

#### *Officers and Directors*

The name, municipality of residence and office of each of the directors and officers of Covington Capital are set out below:

<b>Name and Municipality of Residence</b>	<b>Position with Covington Capital</b>
Scott D. Clark Toronto, Ontario	Director, President and Chief Executive Officer
Philip R. Reddon Burlington, Ontario	Director and Managing Director
Lisa Low Toronto, Ontario	Chief Financial Officer and Director

### Management and Investment Advisory Agreements

#### *Covington Fund II Inc.*

Covington Capital provides investment advice and analysis to the Fund in respect of the Fund's investments pursuant to an investment advisor agreement and a fund advisor agreement with the Fund both dated September 20, 1999 (the "Investment Advisor Agreement" and "Fund Advisor Agreement"). The Investment Advisor Agreement and Fund Advisor Agreement provides that Covington Capital is to receive an annual fee of 2.0% and 0.75% of the net asset value of the Fund, respectively, plus, in certain circumstances, an incentive participation amount. During the year ended August 31, 2009, total fees (exclusive of goods and services tax) of \$1,840,000 were paid or payable to Covington Capital pursuant to the Investment Advisor Agreement and \$690,000 were paid to Covington Capital pursuant to the Fund Advisor Agreement. There was no incentive participation amount paid during the year.

#### *Covington Venture Fund Inc.*

Covington Capital was appointed by the Fund to provide management services to the Fund pursuant to an agreement between the Fund and Covington Capital (the "Management Agreement"), which was effective as of January 6, 2006. Covington Capital is paid various management fees for managing the seven series of Class A Shares of the Fund from which Covington Capital will pay the investment advisory fees and the investment specialist fees referenced below. The management fee is 2.50% of net asset value of the Class A Shares, Series I through III. Covington Capital receives a different management fee for each of the Class A Shares, Series IV, Class A Shares, Series V, Class A Shares, Series VI and Class A Shares, Series VII. The management fees are 2.75%, 2.30%, 3.25% and 1.25% of

the net asset value of the Class A Shares, Series IV, Class A Shares, Series V, Class A Shares, Series VI and Class A Shares, Series VII, VIII, IX respectively. On February 23, 2009, the asset consolidation of Class A Shares, Series VII with the Class A Shares, Series VIII and IX was completed. As a result, the management fee charged to Series VII, VIII, IX was reduced to 1.25% per annum.

The Management Fees paid to Covington Capital during the most recently completed financial year were \$1,754,000 for each of Class A Shares, Series I, Class A Shares, Series II and Class A Shares, Series III, \$213,000 for Class A Shares, Series IV, \$379,000 for Class A Shares, Series V, \$253 for Class A Shares, Series VI and \$363 for Class A Shares, Series VII, Class A Shares, Series II and Class A Shares, Series IX.

Covington Capital agreed to act as the Fund's investment advisor in an investment advisor agreement (the "Investment Advisor Agreement") with the Fund which became effective as of January 6, 2006. In the Investment Advisor Agreement, Covington Capital agreed to identify, examine and screen investment opportunities, to make investments which are within the statutory guidelines, to structure and negotiate prospective investments, to monitor the performance of the investment portfolio and to determine the timing, terms and method of disposing of investments in the investment portfolio. Covington Capital will manage the Fund's investment portfolio in a manner consistent with the investment objective, policies and restrictions of the Fund pursuant to the Investment Advisor Agreement.

Covington Capital receives a different investment advisor fee for each of the Class A Shares, Series IV, Class A Shares, Series V, Class A Shares, Series VI. The investment advisor fees are 1.00%, 1.15%, and 2.0% of the net asset value of the Class A Shares, Series IV, Class A Shares, Series V, Class A Shares, Series VI, respectively.

The investment advisor fees paid to Covington Capital during the most recently completed financial year were \$122,000 for Class A Shares, Series IV, \$211,000 for Class A Shares, Series V and \$406,000 for Class A Shares, Series VI.

Covington Capital retained two investment specialists to assist it to develop and refine the investment strategy and criteria of certain components of the Fund, and to assist the Fund with the implementation of that investment strategy by identifying, structuring and monitoring all investments of the net proceeds allocated to each of the investment specialists. The two investment specialists are Quantum Leap Asset Management Limited and Genesys Capital Partners Inc. (the "Investment Specialists"). All of the fees payable to each of the Investment Specialists for the services rendered by them are paid by Covington Capital out of fees payable to Covington Capital. The Fund terminated the appointment of Genesys Capital Partners ("Genesys") on September 12, 2008. Covington Capital agreed to assume the duties of Genesys going forward but is not charging the Fund any fees for this service.

For Class A Shares, Series II and for Class A Shares, Series III sold prior to the amalgamation of the Fund, Covington Capital's predecessor paid certain sales commissions to registered dealers with respect to the sale of the Class A Shares, Series II and Class A Shares, Series III and the Fund remunerated Covington Capital's predecessor for the payment of such commissions and the maintenance of those relationships. For distribution services provided prior to the amalgamation of the Fund and for the maintenance of these relationships subsequent to the amalgamation of the Fund, the Fund will pay Covington Capital a monthly Distribution Services Fee equal to 0.160% (1.92% annually) and 0.096% (1.152% annually) of the original issue price of the Class A Shares, Series II and Class A Shares, Series III, respectively, issued and outstanding during that month. The Distribution Services Fee is paid to Covington Capital for eight years following the sale of each Class A Share, Series II and Class A Share, Series III sold prior to the amalgamation of the Fund.

Provided shareholders holding the Class A Shares, Series VIII and the Class A Shares, Series IV vote in favour of increasing the fees paid by the Fund on their behalf, the Fund will also pay Covington Capital a monthly Distribution Services Fee equal to 0.160% (1.92% annually) and 0.096% (1.152% annually) of the original issue price of the Class A Shares, Series VII and Class A Shares, Series IX, respectively, issued and outstanding during that month. The Distribution Services Fee paid in respect of the Class A

Shares, Series VIII and Class A Shares, Series IX will be to Covington Capital for eight years following the sale of each of those shares.

*Covington Strategic Capital Fund Inc.*

Covington Capital is the manager of Covington Strategic Capital Fund Inc. pursuant to an agreement dated December 23, 2003 as amended and restated on April 16, 2004 (the "Management Agreement") to identify investment opportunities, investigate, structure and negotiate prospective investments, make recommendations and provide certain administrative services. The Management Agreement provides that Covington Capital is to receive an annual fee of 2.025% of the net asset value of the Fund plus, in certain circumstances, an incentive participation amount. For the year ended August 31, 2009, fees of \$405,000 were paid or payable to Covington Capital pursuant to the Management Agreement. There was an Incentive Participation amount of \$209,000 paid to Covington Capital during the year. Covington Capital also provides marketing and investor relations services to the Fund pursuant to a fund advisor agreement with the Fund dated December 23, 2004 (the "Fund Advisor Agreement"). The Fund Advisor Agreement provides that Covington Capital is to receive an annual fee of 0.975% of the net asset value of the Fund for such services. For the year ended August 31, 2009, fees of \$195,000 were paid or payable to Covington Capital pursuant to the Fund Advisor Agreement.

*New Generation Biotech (Equity) Fund Inc.*

Covington Capital is responsible for providing management services to the Fund and the community small business investment funds in which the Fund invests pursuant to an agreement, as amended, between the Fund and Covington Capital (the "Management Agreement"). The Management Agreement provides that Covington Capital is to be paid a fee by the Fund as compensation for the management services to be provided by Covington Capital. The management fee consists of an annual fee of 1.15% of the net asset value of the Fund calculated and payable monthly in arrears and an amount which represents the distribution service fee (the "Management Fee"). Covington Capital is also entitled to the payment of an incentive participation amount, if any, is payable. The incentive participation amount will be paid to Covington Capital and any service providers retained by it in the proportion determined by it from time to time. For the Fund's fiscal year ended August 31, 2009, Covington Capital received a Management Fee of \$588,000. Covington Capital is reimbursed by the Fund for expenses reasonably incurred by NGB in providing management services to the Fund and for any applicable sales and GST incurred by NGB in so doing.

Covington Capital agreed to act as the Fund's investment administrator in a fund administration agreement (the "Fund Administration Agreement") between the Fund, the Manager and Covington Capital, which became effective as of December 4, 2006. The Fund Administration Agreement provides that Covington Capital is to be paid a fee by the Fund as compensation for the management services provided by Covington Capital. The administration fee consists of an annual fee of 1.15% of the net asset value of the Fund calculated and payable monthly in arrears (the "Administration Fee"). For the Fund's fiscal year ended August 31, 2009, Covington Capital received an Administration Fee of \$588,000

Genesys Capital Partners Inc. ("Genesys") had been retained to assist in the development, refinement and implementation of the investment strategy and criteria of the Fund and the community small business investment funds in which the Fund invested, pursuant to an agreement with the Fund and Covington Capital (the "Genesys Agreement") dated December 21, 2000. The Fund terminated the Genesys Agreement on September 12, 2008. Covington Capital agreed to assume the duties of Genesys going forward but is not charging the Fund any fees for this service. Genesys received payment of \$665,000 for terminating the Genesys Agreement.

### Management and Investment Advisory Fees

Fund	Management Fee \$	Investment Advisory/Administrator Fee \$
Covington Fund II Inc.	\$690,000	\$1,840,000
Covington Venture Fund Inc.		
Series I, II, III	\$1,754,000	-
Series IV	\$213,000	\$122,000
Series V	\$379,000	\$211,000
Series VI	\$253,000	\$406,000
Series VII	\$363,000	-
Covington Strategic Capital Fund Inc.	\$405,000	\$195,000
New Generation Biotech (Equity) Fund Inc.	\$588,000	\$1,261,000
Totals:	\$4,645,000	\$4,035,000

### Sponsorship Agreements

Each of the Funds has entered into a sponsorship agreement (“Sponsorship Agreement”) with a sponsor with respect to the sponsor acting as sponsor of the Fund and the holding and voting of Class B Shares of the Funds. A copy of the Sponsorship Agreement is found on SEDAR under the respective Fund’s profile and is described in the Fund’s most recent renewal prospectus at [www.sedar.com](http://www.sedar.com).

### GENERAL

Management knows of no other matters to come before the Meeting other than the matters referred to in the Notice of Meeting. HOWEVER, IF ANY OTHER MATTERS WHICH ARE NOT NOW KNOWN TO MANAGEMENT SHOULD PROPERLY COME BEFORE THE MEETING, THE PROXY WILL BE VOTED ON SUCH MATTERS IN ACCORDANCE WITH THE BEST JUDGMENT OF THE PERSON OR PERSONS VOTING THE PROXY.

### BOARD APPROVAL

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

**BY ORDER OF THE BOARD OF DIRECTORS OF NEW  
GENERATION BIOTECH (EQUITY) FUND INC. AND  
COVINGTON VENTURE FUND INC.**

**BY ORDER OF THE BOARD OF DIRECTORS OF  
COVINGTON FUND II INC. AND COVINGTON  
STRATEGIC CAPITAL FUND INC.**

*“Philip R. Reddon”*

*“Henry J. Pankratz”*

Philip R. Reddon  
Director and Chief Executive Officer

Henry J. Pankratz  
Director

DATED at Toronto this 22day of October 2009.