

**NOTICE OF ANNUAL AND SPECIAL MEETINGS OF SECURITYHOLDERS AND  
JOINT MANAGEMENT INFORMATION CIRCULAR RESPECTING THE  
AMALGAMATION OF**

Triax Growth Fund Inc.  
New Millennium Venture Fund Inc.  
New Generation Biotech (Balanced) Fund Inc.  
E2 Venture Fund Inc.  
Venture Partners Balanced Fund Inc.  
Capital First Venture Fund Inc.

to be held on Friday, November 18, 2005

In the Main Boardroom Complex  
Gowling Lafleur Henderson LLP  
Suite 1600, 1 First Canadian Place  
100 King Street West  
Toronto, Ontario M5X 1G5

# NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

OF

Triax Growth Fund Inc.  
New Millennium Venture Fund Inc.  
New Generation Biotech (Balanced) Fund Inc.  
E2 Venture Fund Inc.  
Venture Partners Balanced Fund Inc.  
Capital First Venture Fund Inc.

**NOTICE IS HEREBY GIVEN** that Annual and Special Meetings (collectively the “Meetings” and each a “Meeting”) of the shareholders of Triax Growth Fund Inc., New Millennium Venture Fund Inc., New Generation Biotech (Balanced) Fund Inc., E2 Venture Fund Inc., Venture Partners Balanced Fund Inc. and Capital First Venture Fund Inc. (all of the funds named above being collectively referred to herein as the “Funds” and, individually as a “Fund”) will be held at the offices of Gowling Lafleur Henderson LLP, 1 First Canadian Place, Suite 1600, 100 King Street West, Toronto, Ontario, M5X 1G5 on Friday, November 18, 2005 at the hour of 1:00 p.m. (Toronto time) for the following purposes:

1. in respect of each Fund, except for Triax Growth Fund Inc., to consider and, if deemed appropriate, to pass a special resolution to continue each Fund into the federal jurisdiction as more particularly described in the accompanying management information circular (the “Circular”);
2. in respect of each Fund, to consider and, if deemed appropriate, to pass a special resolution to approve all matters relating to the amalgamation of each of the Funds into one newly formed mutual fund entity as more particularly described in the accompanying Circular;
3. to receive the financial statements of each Fund for the previous financial year together with the report of the auditors thereon;
4. to elect directors of each of the Funds;
5. to appoint auditors of each of the Funds and to authorize the directors to fix their remuneration; and
6. 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 Circular which provides particulars of the matters set out in this Notice. Copies of the text of the proposed resolutions authorizing the above changes are set out in the accompanying Circular.

The adjourned meeting will take place, if necessary, on Tuesday, November 22, 2005 at the abovementioned address of the offices of Gowling Lafleur Henderson LLP.

DATED at Toronto this 14th day of October, 2005.

**BY ORDER OF THE BOARD OF DIRECTORS**

*“K. Chipman Vallis”*

K. Chipman Vallis  
Chief Executive Officer, President  
and Director of each of the Funds

**At the Meeting, shareholders of the Class A Shares and Class B Shares are entitled to one vote per share.**

**Important Proxy Information:** Shareholders who are unable to attend the Meetings in person can exercise their right to vote by completing, dating and signing the enclosed proxy form and returning the same in the envelope provided for that purpose. In order to be voted at the Meetings, proxies must be received at least twenty-four (24) hours (excluding Saturdays, Sundays and holidays) prior to the commencement of the Meetings or any adjournment or postponement thereof, or deposited with the Chair of the Meetings prior to the commencement thereof.

## 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 Triax Growth Fund Inc., New Millennium Venture Fund Inc., New Generation Biotech (Balanced) Fund Inc., E2 Venture Fund Inc., Venture Partners Balanced Fund Inc. and Capital First Venture Fund Inc. (all of the funds named above being collectively referred to herein as the "Funds" and, individually as a "Fund") to be used at the Special Meeting (the "Meeting") of the Shareholders of each of the Funds to be held jointly at the offices of Gowling Lafleur Henderson LLP, 1 First Canadian Place, 100 King Street West, Suite 1600, Toronto, Ontario, M5X 1G5 on Friday, November 18, 2005 at the hour of 1:00 p.m. (Toronto time) and at any adjournment or adjournments thereof for the purposes set forth in the Notice of Meeting.

If the Meeting is adjourned for any reason, the adjourned Meeting will take place on Tuesday, November 22, 2005 at the hour of 1:00 p.m. (Toronto time) at the offices of Gowling Lafleur Henderson LLP, 1 First Canadian Place, 100 King Street West, Suite 1600, Toronto, Ontario, M5X 1G5.

It is expected that such solicitation will be primarily by mail however proxies may also be solicited by the directors or officers of each of the Funds by means of telephone, facsimile or in person. The cost of the solicitation of proxies for the Meeting will be borne by the Funds. The Funds will bear none of the costs and expenses relating to the amalgamation unless this is deemed to be appropriate by securities regulators. All information set forth herein is as at the close of business on October 14, 2005, unless otherwise indicated herein. All of the information contained in the financial statements is dated as at July 31, 2005.

*The information provided herein about the matters to be acted upon at the Meeting, including in particular, the information about the proposed amalgamation and about Covington Venture Fund Inc., the entity which will issue shares to you in exchange for your existing shares, is only a summary of the information available to you. If you would like a more detailed version of the information circular (the "Detailed Circular") containing more information about the Covington Fund, retrieve the Detailed Circular from [www.sedar.com](http://www.sedar.com) or [www.covingtonfunds.com](http://www.covingtonfunds.com). Alternatively, you may contact the Manager either in writing at 200 Front Street West, Suite 3003, Toronto, Ontario M5V 3K2 or by telephoning 416-362-2929 or 1-800-467-0287 and request a copy of the Detailed Circular be mailed to you.*

### 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 each of the Funds. **A SHAREHOLDER HAS THE RIGHT TO APPOINT ANY OTHER PERSON TO REPRESENT HIM OR HER AT THE MEETING 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 CHIEF EXECUTIVE OFFICER OF THE FUND, NOT LATER THAN THE DAY PRECEDING THE DAY OF THE MEETING OR BY DEPOSITING IT WITH THE CHAIRMAN OF THE MEETING PRIOR TO THE COMMENCEMENT OF THE MEETING.**

Shareholders who are unable to attend the Meeting in person should complete and sign the enclosed proxy and return same in the enclosed envelope in order that it is received by Computershare Investor Services Inc. at 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1 at any time up to 1:00 p.m. (Toronto time) on November 17, 2005 or 24 hours (excluding Saturday, Sunday and holidays) prior to any adjournment thereof.

A shareholder executing the enclosed form of proxy has the power to revoke it at any time before it is exercised. With respect to Triax Growth Fund Inc., section 148(4) of the *Canada Business Corporations Act* (the "CBCA") and with respect

to each of the other Funds, section 110(4) of *the Business Corporations Act* (Ontario) (the "OBCA") 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 Meeting or with the Chairman of such Meeting on the day of the Meeting or any adjournment thereof or in any other manner permitted by law.

A shareholder attending the Meeting has the right to vote in person and if he does so, his 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 the 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 thereat 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 for each of the Funds 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 Meeting.

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 Meeting 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 Meeting, the accompanying proxy will be voted on such matters in accordance with the best judgment of the person or persons voting the proxy.**

A special majority of at least sixty-six and two-thirds per cent of all of the votes cast either in person or by proxy by the Class A shareholders and Class B shareholders voting together of each Fund except Triax Growth Fund Inc. is necessary in order to pass the special resolution approving the Continuance listed as the first matter of business in the Notice of Meeting. A special majority of at least sixty-six and two thirds per cent of all of the votes cast either in person or by proxy of the Class A shareholders and Class B shareholders voting separately as a class of each Fund except New Millennium Venture Fund Inc. is necessary in order to pass the special resolution approving the Amalgamation listed as the second matter in the Notice of Meeting. With respect to New Millennium Venture Fund Inc., a special majority of at least sixty-six and two-thirds percent of all of the votes cast either in person or by proxy by the Class A shareholders, voting in series, and by the Class B shareholders voting as a class, is necessary in order to pass the special resolution approving the Amalgamation listed in the Notice of Meeting. A simple majority of the votes cast either in person or by proxy is sufficient to pass the matters specified in numbers 4 and 5 in the Notice of Meeting. In the case of an equality of votes, the Chairman of the Meeting shall not be entitled to a second or casting vote.

### **VOTING SHARES AND PRINCIPAL HOLDERS THEREOF**

In accordance with National Instrument 54-101 - *Communication with Beneficial Owners of Securities of a Reporting Issuer*, each Fund has fixed the close of business on October 14, 2005, 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 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 Meeting that the 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.

As at the close of business on the record date, the authorized capital of Triax Growth Fund Inc., E2 Venture Fund Inc. and New Generation Biotech (Balanced) Fund Inc. consists of an unlimited number of Class A shares, issuable in series and an unlimited number of Class B shares; the authorized capital of New Millennium Venture Fund Inc. consists of unlimited number of Class A shares, Series I, Class A shares, Series II and an unlimited number of Class B shares; and the

authorized capital of Venture Partners Balanced Fund Inc. and Capital First Venture Fund Inc. consists of an unlimited number of Class A shares and an unlimited number of Class B shares. The Class A shares of any Fund and of any series will collectively be called “Class A Shares” and the Class B shares of any Fund will collectively be called “Class B Shares”. The following securities are outstanding for each of the Funds (rounded to the nearest whole number):

Name of Fund	Numbers of Securities Outstanding
Triax Growth Fund Inc.	18,894,927 Class A Shares, Series I 52,014 Class A Shares, Series II 196,616 Class A Shares, Series III 100 Class B Shares
New Millennium Venture Fund Inc.	2,229,245 Class A Shares, Series I (Balanced Shares) 6,993,938 Class A Shares, Series II (Venture Shares) 100 Class B Shares
New Generation Biotech (Balanced) Fund Inc.	2,504,213 Class A Shares, Series I 100 Class B Shares
E2 Venture Fund Inc.	1,476,515 Class A Shares, Series I 84,058 Class A Shares, Series II 166,328 Class A Shares, Series III 100 Class B Shares
Venture Partners Balanced Fund Inc.	2,393,833 Class A Shares 100 Class B Shares
Capital First Venture Fund Inc.	1,355,365 Class A Shares 100 Class B Shares

At the Meeting, holders of the Class A Shares and Class B Shares are entitled to one vote per share.

As of the date hereof, 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 Fund. The directors and senior officers of each of the Funds, as a group, and the directors and senior officers of each of the managers of the Funds, Covington Group of Funds Inc., NGB Management Inc. and New Millennium Venture Partners Inc., (each being “a Manager” and collectively, being the “Managers”), as a group, beneficially own, directly or indirectly, less than 1% of the issued and outstanding Class A Shares of each Fund. The Canadian Federal Pilots Association (hereinafter known as “CFPA” or the “Sponsor”) owns of record and beneficially all 100 issued and outstanding Class B Shares of each Fund.

### **FUNDS PARTICIPATING IN THE MEETING**

#### **Triax Growth Fund Inc.**

Triax Growth Fund Inc. (“TGF”) was incorporated under the CBCA by articles of incorporation dated November 21, 1995. The articles were amended by articles of amendment dated December 2, 1997 and December 18, 2003. TGF is sponsored by the CFPA and is registered as a labour sponsored investment fund corporation under the Ontario Act and as a labour-sponsored venture capital corporation under the Federal Act and the New Brunswick Act. The primary objective of the Fund is to achieve long-term capital appreciation for the Fund’s Class A shareholders. It is anticipated that this objective can best be achieved by investing primarily in equity and equity-related securities of eligible businesses which have the greatest potential for long-term growth. TGF has assets under management in excess of \$75.3 million. The head office and principal place of business of TGF is at 200 Front Street West, Suite 3003, Toronto, ON M5V 3K2. If you would like more information about this fund, please retrieve it from [www.sedar.com](http://www.sedar.com).

#### **New Millennium Venture Fund Inc.**

New Millennium Venture Fund Inc. (“NMVF”) (formerly named New Millennium Internet Ventures Fund Inc.) was incorporated under the OBCA by articles of incorporation dated November 10, 1999. The articles were amended by articles of amendment dated January 5, 2000, January 6, 2000 and January 18, 2002. NMVF is sponsored by CFPA and

is registered as a labour sponsored investment fund corporation under the Ontario Act and is a prescribed labour-sponsored venture capital corporation under the Federal Act. NMVF's investment objective for the Class A Shares, Series I (the Balanced Shares) is to (i) return investors' capital by paying to them on February 28, 2010 an amount equal to the \$10 subscription price paid; and (ii) to achieve long-term capital appreciation by investing in securities of community small business investment fund corporations ("CSBIFs"), which were to make eligible investments in a diversified portfolio of securities of Internet and e-commerce related ventures. The investment objective for the Class A Shares, Series II (the Venture Shares) is to achieve long-term capital appreciation by investing in a diversified portfolio of securities of Internet and e-commerce related ventures. NMVF has assets under management in excess of \$53.2 million. The head office and principal place of business of NMVF is at 200 Front Street West, Suite 3003, Toronto, ON M5V 3K2. If you would like more information about this fund, please retrieve it from [www.sedar.com](http://www.sedar.com).

#### **New Generation Biotech (Balanced) Fund Inc.**

New Generation Biotech (Balanced) Fund Inc. ("NGBB") was incorporated under the OBCA by articles of incorporation dated October 31, 2000. The articles were amended by articles of amendment dated December 27, 2000 and June 21, 2005. NGBB is sponsored by the CFPA and is registered as a labour sponsored investment fund corporation under the Ontario Act and is a prescribed labour-sponsored venture capital corporation under the Federal Act. NGBB's investment objectives are: (i) to achieve long-term capital appreciation by investing in securities of CSBIFs, which in turn will make eligible investments in start-up and early stage biotechnology and health care related ventures; and (ii) to return investors' capital by paying to them an amount equal to the subscription price paid (\$10 per Class A Share) for the Class A Shares on or about December 31, 2011. NGBB has assets under management in excess of \$24.5 million. The head office and principal place of business of NGBB is at 200 Front Street West, Suite 3003, Toronto, ON M5V 3K2. If you would like more information about this fund, please retrieve it from [www.sedar.com](http://www.sedar.com).

#### **E2 Venture Fund Inc.**

E2 Venture Fund Inc. ("E2") was incorporated under the OBCA on October 31, 2001 by articles of incorporation. The articles were amended by articles of amendment dated December 28, 2001 and December 19, 2003. E2 is sponsored by the CFPA and is registered as a labour sponsored investment fund corporation under the Ontario Act and is a prescribed labour-sponsored venture capital corporation under the Federal Act. E2's investment objective is to achieve long-term capital appreciation through investment in a diversified portfolio of eligible investments in private and public companies which focus on developing and exploiting products and services to assist global industries that are undergoing profound changes including the energy industry (e.g. alternative energy, transportation and power technology) and other industries focused on process and resource efficiency (e.g. water supply and treatment and environmental remediation). E2 has assets under management in excess of \$8.4 million. The head office and principal place of business of E2 is at 200 Front Street West, Suite 3003, Toronto, ON M5V 3K2. If you would like more information about this fund, please retrieve it from [www.sedar.com](http://www.sedar.com).

#### **Venture Partners Balanced Fund Inc.**

Venture Partners Balanced Fund Inc. ("VPB") was incorporated under the OBCA by articles of incorporation dated November 1, 2002. VPB is sponsored by the CFPA and is registered as a labour sponsored investment fund corporation under the Ontario Act and is a prescribed labour-sponsored venture capital corporation under the Federal Act. VPB's investment objectives are: (i) to achieve long-term capital appreciation by investing in securities of CSBIFs which will, in turn, make eligible investments in a diversified portfolio of private and public companies; and (ii) to return investors' capital by paying to them an amount equal to the subscription price paid (\$10 per Class A Share) for the Class A Shares of VPB on or about December 31, 2015. VPB has assets under management in excess of \$23.3 million. The head office and principal place business of VPB is at 200 Front Street West, Suite 3003, Toronto, ON M5V 3K2. If you would like more information about this fund, please retrieve it from [www.sedar.com](http://www.sedar.com).

#### **Capital First Venture Fund Inc.**

Capital First Venture Fund Inc. ("CFVF") was incorporated under the OBCA by articles of incorporation dated December 2, 2003. CFVF is sponsored by the CFPA and is registered as a labour sponsored investment fund corporation under the Ontario Act and is a prescribed labour sponsored venture capital corporation under the Federal Act. CFVF's investment objectives are: (i) to preserve and return an investors' capital by paying to them an amount equal to the subscription price

paid (\$10 per Class A Share) on or about June 1, 2016; and (ii) to achieve reasonable appreciation of the value of the investments made by the CFVF in CSBIFs and reserves. CFVF has assets under management in excess of \$12.8 million. The head office and principal place of business of CFVF is at 200 Front Street West, Suite 3003, Toronto, ON M5V 3K2. If you would like more information about this fund, please retrieve it from [www.sedar.com](http://www.sedar.com).

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

The purpose of the Meeting of the Funds is to consider and, if thought advisable, to pass special resolutions by the shareholders: (i) of each Fund except TGF, approving the Continuance of each of those Funds to the federal jurisdiction; and (ii) of each Fund, approving all of the matters that are necessary to effect an Amalgamation of each of the Funds allowing them to continue as a labour-sponsored venture capital corporation under the Tax Act.

The other matters to be considered and voted upon at this meeting are to be passed by ordinary resolutions by the shareholders and relate to: (i) electing directors of each of the Funds; and (ii) appointing the auditors of each of the Funds.

#### **The Continuance**

By approving the Continuance, securityholders of each Fund other than TGF will be authorizing any director or officer of the Funds' respective Managers to take all steps as may be necessary or desirable to effect the Continuance including to file Articles of Continuance and related documents with Corporations Canada, Industry Canada on behalf of each continuing Fund which will continue each of those funds from Ontario to the federal jurisdiction. The Continuance must be completed prior to the Amalgamation taking place.

#### **The Amalgamation**

*Covington Venture Fund Inc.* The entity resulting from the Amalgamation of the Funds will be named Covington Venture Fund Inc. (the "Covington Fund"). The Covington Fund will be created by articles of amalgamation pursuant to the CBCA and will be registered as an labour sponsored investment fund corporation under the Ontario Act and as a labour-sponsored venture capital corporation under the Federal Act. The registered office of the Covington Fund will be 200 Front Street, Suite 3003, Toronto, ON M5V 3K2. ***For more information about the Covington Fund, please go to page 12 of this document.***

The operations of Covington Fund shall be conducted following the Amalgamation in the same manner as the Funds have been conducting their business with the exception of certain management changes as set out in the sections entitled "The Manager" and "The Investment Advisor". The Sponsor will continue to act as the sponsor of the Covington Fund. The board of directors of the Covington Fund shall be comprised of seven directors. See section "The Covington Fund – Directors and Officers" in the Detailed Circular for more information.

*Terms of Amalgamation* It is proposed that on the Effective Date, the Funds will amalgamate pursuant to section 181 of the CBCA and continue thereafter as a registered labour-sponsored venture capital corporation pursuant to the Federal Act and as a labour sponsored investment fund corporation pursuant to the Ontario Act under the name the "Covington Venture Fund Inc.". On the Effective Date holders of:

- (i) TGF Class A Shares Series I, Class A Shares, Series II and Class A Shares, Series III will be entitled to receive, in exchange for those shares, Class A Shares of the same series in the capital of the Covington Fund equal to the number of TGF Class A Shares of the series so held multiplied by the net asset value per Class A Share of the series held of TGF divided by the net asset value per Class A Share of the same series of the Covington Fund all as determined on the Effective Date;
- (ii) Each NMVF Class A Share, Series I or fractional share will be entitled to receive, in exchange for such share, an equal number of Class A Shares, Series IV and fractional shares of Class A Shares, Series IV in the capital of the Covington Fund, all as determined on the Effective Date;
- (iii) NMVF Class A Shares, Series II will be entitled to receive, in exchange for such shares, Class A Shares, Series I in the capital of the Covington Fund equal to the number of NMVF Class A Shares, Series II so held multiplied by the net asset value per Class A Share, Series II of NMVF divided by the net asset value per Class A Share, Series I of the Covington Fund, all as determined on the Effective Date;
- (iv) Each NGBB Class A Share or fractional share will be entitled to receive, in exchange for such share, and equal number of Class A Shares, Series V and fractional shares of Class A Shares, Series V in the capital of the Covington Fund, all as determined on the Effective Date;
- (v) E2 Class A Shares, Series I, Class A Shares, Series II and Class A Shares, Series III will be entitled to receive, in exchange for those shares, Class A Shares of the same series in the capital of the Covington Fund equal to the number of E2 Class A Shares of the series held multiplied by the net asset value per Class A Share of the series held of E2 divided by the net asset value per Class A Share of the same series of the Covington Fund, all as determined on the Effective Date;
- (vi) Each VPB Class A Share or fractional share will be entitled to receive, in exchange for such share, an equal number of Class A Shares, Series VI and fractional shares of Class A Shares, Series VI in the capital of the Covington Fund, all as determined on the Effective Date;
- (vii) Each CFVF Class A Share or fractional share will be entitled to receive, in exchange for such share, an equal number of Class A Share Series VII and fractional shares of Class A Shares, Series VII in the capital of the Covington Fund, all as determined on the Effective Date;
- (viii) TGF, NMVF, NGBB, E2, VPB and CFVF Class B Shares will be entitled to receive, in exchange for those shares, 600 Class B Shares in the capital of the Covington Fund;

*Principal Attributes of Shares*

Series I, Series II and Series III of the Class A Shares of the Covington Fund will have substantially similar attributes as the current Series I, Series II and Series III of the Class A Shares of TGF and E2. Series I of the Class A Shares of the Covington Fund will have substantially similar attributes as the current Class A Shares, Series II of NMVF.

Series IV of the Class A Shares of the Covington Fund will have substantially similar attributes as Class A Shares, Series I of NMVF.

Series V of the Class A Shares of the Covington Fund will have substantially similar attributes as Class A Shares, Series I of NGBB.

Series VI of the Class A Shares of the Covington Fund will have substantially similar attributes as the Class A Shares of VPB.

Series VII of the Class A Shares of the Covington Fund will have substantially similar attributes as the Class A Shares of CFVF.

The redemption features and the tax credits previously received by shareholders on the acquisition of Class A Shares of all series of TGF, NMVF, NGBB, E2, VPB and CFVF are unaffected by the Amalgamation.

It is anticipated that the Covington Fund will offer Class A Shares, Series II and Class A Shares, Series III for sale to the public on a continuous basis on a date which is after the Effective Date and after all necessary approvals have been received allowing the Covington Fund to distribute those shares.

*Reasons for the Amalgamation*

The Manager of each Fund considers the Amalgamation to be advantageous to the shareholders of each of the Funds as the Amalgamation will create many positive opportunities for shareholders including the following:

- a) all of the Funds will benefit from the cost synergies associated with the Amalgamation. Certain duplicative Fund specific costs, such as professional fees, will be reduced as a result of operating the Covington Fund as one fund rather than as six funds and there are anticipated to be economies of scale in respect of other expenses;
- b) as one larger fund, the Covington Fund would, for the benefit of the holders of the Class A Shares, Series I, Class A Shares, Series II and Class A Shares, Series III, be able to maintain a more diverse well managed investment portfolio, thereby reducing one level of investment risk for shareholders;
- c) by using the pricing credits available to TGF, VPB and CFVF, the Covington Fund will be better able to manage its financial liquidity. This increased financial liquidity will improve the ability to redeem an investor's Class A Shares as redemption requests are received; and
- d) increased financial liquidity for the Covington Fund will, in the context of investments made in illiquid investments of the type in which labour-sponsored venture capital corporations are designed to invest, improve the ability of the Covington Fund to support management teams of investee companies thereby creating value for shareholders of the Funds. The Covington Fund will also be better able to engage in follow-on financings required to prevent the Covington Fund and their shareholders from suffering the dilutive effects of "down round" financings.

A number of the Funds did not raise adequate proceeds through the sale of Class A Shares to be commercially viable as stand alone mutual funds. In consequence, the shareholders of each of these Funds will be deprived of growth and diversification as a result of the lack of capital funding to apply to investments.

Also, if any Fund is forced to wind down operation or otherwise terminate the Fund's existence, certain shareholders of that Fund would be obligated to repay any tax credits previously granted to them. See section "The Amalgamation – Background to and Reasons for the Amalgamation" in the Detailed Circular for more information.

**Based on the foregoing, the board of directors of each of the Funds believes that the Amalgamation is in the best interests of that respective Fund and its shareholders.**

*Cost of Implementing the Amalgamation*

The costs of implementing the Amalgamation and the Continuance, including the legal, printing, mailing and regulatory costs, are currently being borne by the Manager. The Board of Directors of each of the Funds believes that it is appropriate in the current circumstances for the Funds to pay these costs. An application has been filed with securities regulators to permit this. If securities regulatory approval is received permitting the Funds to pay the costs of implementing the Amalgamation and the Continuance, the Funds would have to bear the costs. These costs will be charged to the Funds as a one time expense.

*Conditions to the Amalgamation*

The respective obligations of each party to the Amalgamation Agreement to complete the transactions contemplated therein, and to file Articles of Amalgamation to give effect to the Amalgamation, are subject to the fulfillment, or waiver, on or before the Effective Date of certain conditions, including the following: (i) the Amalgamation shall have been approved by not less than two-thirds of the shareholders of each Fund which voted at a properly constituted meeting of the Fund, voting either as a class or by series, as applicable; and (ii) all consents and approvals required, necessary or desirable for the completion of the Amalgamation shall have been obtained or received, each in a form acceptable to each of the Funds, acting reasonably.

*Termination of Amalgamation*

The Amalgamation Agreement may be terminated at any time prior to the Effective Date if, notwithstanding the best efforts of the Funds, any one or more of the following occur: (i) the holders of Class A Shares of any of the Funds do not approve the Amalgamation in accordance with the requirements of applicable laws, policies and regulations; (ii) the board of directors of all or some of the Funds determine that it is no longer in the shareholders best interest to effect the Amalgamation; or (iii) the Amalgamation has not become effective on or prior to January 31, 2006.

**If the Amalgamation is approved by securityholders of some, but not of all of the Funds, the board of directors of each of the Funds whose shareholders have approved the Amalgamation resolution reserves the right to proceed with implementing the Amalgamation with all or some of the Funds that have voted in favour of the Amalgamation.**

*Regulatory Matters*

The completion of the Amalgamation is, pursuant to the Ontario Act, subject to the approval of the Ministry of Finance (Ontario) and, pursuant to National instrument 81-102, subject to the approval of the securities regulatory authorities. The Funds expect to obtain all material approvals prior to November 18, 2005.

*Board Recommendations*

**The board of directors of each of the Funds has approved the Amalgamation and recommends the approval of the Amalgamation Resolution by the respective Fund's shareholders.**

*Income Tax Considerations*

**A shareholder who does not exercise dissent rights will not realize a capital gain or loss on the Continuance or the Amalgamation.** A shareholder will be deemed to have acquired his or her Class A Shares of the Covington Fund at the same adjusted cost base as the Class A Shares previously held by such shareholder prior to the Amalgamation. **A**

**shareholder of any Fund's Class A Shares who does not exercise dissent rights will not be required to repay federal or Ontario tax credits.** Covington Fund Class A Shares issued to a shareholder on the Amalgamation will be deemed to have been issued on the same date as the Class A Shares of the Fund previously held by such shareholder prior to the Amalgamation for the purposes of determining the date on which such Covington Fund Class A Shares may be redeemed in the future without repayment of federal and Ontario tax credits.

A shareholder who exercises dissent rights in the Amalgamation will be required to repay federal and Ontario tax credits and may realize a capital gain or loss on receipt of payment for his or her respective Fund's Class A Shares. See "Shareholders' Rights".

See section "Income Tax Considerations for Shareholders of Covington Fund" in the Detailed Circular for more information.

*Risk Factors*

There are risks associated with the transaction and the subsequent investment in the Covington Fund that should be carefully considered by the shareholders of all Funds. See "Risk Factors" section on page 19 of this document and the "Risk Factors" section in the Detailed Circular for more information.

*Effective Date*

The Continuances of each of the Funds that approve resolutions to continue to the federal jurisdiction will be effective on the date that the Director authorizes the Articles of Continuance, which is expected to be on or about November 22, 2005. The Funds need to be properly continued in the federal jurisdiction prior to the filing of Articles of Amalgamation.

The Amalgamation will be effective on the date of the filing of the Articles of Amalgamation, which is expected to be on or about November 25, 2005.

*Rights of Dissenting Shareholders*

Any holder of Class A Shares may elect to dissent in respect of both the proposed Continuance and the proposed Amalgamation, in the manner provided in the CBCA or the OBCA, as applicable. If the Amalgamation is completed, any dissenting shareholder will be entitled to receive the adjusted fair market value of his or her shares as at the end of business on the date prior to the adoption of the Continuance Resolution or Amalgamation Resolution by the shareholders of any number of the Funds, as the case may be, after adjustment for any applicable tax credits and early redemption fees. See "Schedule "C" - Shareholder Dissent Rights".

**Election of Directors**

The Board of Directors of each of the Funds presently consists of between six and nine directors, all of whom are deemed to retire at the Meeting but are eligible for re-election.

Management of each Fund 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.

To become effective, the election of the proposed nominees must be approved by the majority of votes cast by shareholders of the relevant Fund present in person or by proxy.

Management of TGF proposes to nominate eight directors for election. One (1) director will be nominated by the Class A Shareholders and seven (7) directors will be nominated by the Class B Shareholders. Management of NMVF proposes to nominate eight directors for election. Two (2) directors will be nominated by the Class A Shareholders (one by the Class A Share, Series I holders and one by the Class A Share, Series II holders) and six (6) directors will be nominated by the Class B Shareholders. Management of NGBB proposes to nominate seven (7) directors for election. One (1) director will be nominated by the Class A Shareholders and six (6) directors will be nominated by the Class B Shareholders. Management of E2 proposes to nominate nine directors for election. One (1) director will be nominated by the Class A Shareholders and eight (8) directors will be nominated by the Class B Shareholders. Management of VPB proposes to nominate seven (7) directors for election. One (1) director will be nominated by the Class A Shareholders and six (6) directors will be nominated by the Class B Shareholders. Management of CFVF proposes to nominate six directors for election. One (1) director will be nominated by the Class A Shareholders and five (5) directors will be nominated by the Class B Shareholders.

<b>Name and Municipality of Residence</b>	<b>Position with the Corporation and Principal Occupation</b>	<b>Director Since</b>	<b>Class A Shares Owned</b>
Andrew Green <sup>(2)(3)(10)</sup> Toronto, Ontario	Class A Share Nominee - Director of TGF, NMVF (Class A Share, Series II), E2 and VPB Vice-President and Co-founder of Diamond Estates Wines & Spirits Ltd.	TGF - July 11, 2001 NMVF – November 8, 2002 E2 – October 31, 2001 VPB - December 18, 2002	TGF – Nil NMVF – 500 (Series I) E2 – 500 VPB – Nil
Barry H. Gordon <sup>(2)(3)(6)(7)(8)(9)(10)(11)(12)</sup> Toronto, Ontario	Class B Share Nominee - Director of the TGF, NMVF, E2, NGBB, VPB and CFVF CEO and President of Triax Capital Inc. (“Triax Capital”)	TGF - July 11, 2001 NMVF- November 8, 2002 E2 – October 31, 2001 NGBB – December 27, 2000 VPB - December 18, 2002 CFVF – December 2, 2003	TGF – 855 NMVF – Nil E2 – 500 NGBB – Nil VPB – Nil CFVF - Nil
Donald Bujold <sup>(1)</sup> Nepean, Ontario	Class B Share Nominee - Director of TGF, NMVF, E2, NGBB, VPB and CFVF Past President of B&D Labour Consultants Inc.	TGF - November 21, 1995 NMVF – November 10, 1999 E2 – October 31, 2001 NGBB – December 27, 2000 VPB - December 18, 2002 CFVF – December 2, 2003	TGF – Nil NMVF – 497 E2 – Nil NGBB – Nil VPB – Nil CFVF - Nil
Dennis Dunster <sup>(4)(7)(9)(12)</sup> Ottawa, Ontario	Class B Share Nominee - Director of TGF, NMVF, E2, NGBB, VPB and CFVF Past Executive Vice-President of B&D Labour Consultants Inc.	TGF - November 21, 1995 NMVF – November 10, 1999 E2 – October 31, 2001 NGBB – December 27, 2000 VPB - December 18, 2002 CFVF – December 2, 2003	TGF - 2,000 NMVF – Nil E2 – Nil NGBB – Nil VPB – Nil CFVF - Nil
Robin J. MacKnight <sup>(1)(5)</sup> Toronto, Ontario	Class B Share Nominee – Director of TGF and E2 Counsel, Wilson Vukelich LLP	TGF - November 21, 1995 E2 – October 31, 2001	TGF – 500 E2 – 1198.62

Name and Municipality of Residence	Position with the Corporation and Principal Occupation	Director Since	Class A Shares Owned
Iain A. Robb <sup>(3)(4)(6)(7)(9)(10)(11)(12)</sup> Toronto, Ontario	Class B Share Nominee – Director of TGF, E2 and VPB Class A Share Nominee – Director of NMVF (Series I Shares), NGBB and CFVF Partner of Gowling Lafleur Henderson LLP (law firm)	TGF - July 19, 2000 NMVF – November 10, 1999 E2 – October 31, 2001 NGBB – December 27, 2000 VPB - December 18, 2002 CFVF – December 2, 2003	TGF – Nil NMVF – Nil E2 – Nil NGBB – Nil VPB – Nil CFVF – Nil
John R. Mott <sup>(1)(4)(5)(9)(11)</sup> Toronto, Ontario	Class B Share Nominee - Director of TGF, NMVF, E2, VPB and CFVF Chartered Accountant in Private Practice	TGF – March 7, 2003 NMVF – February 21, 2003 E2- February 21, 2003 VPB – December 18, 2002 CFVF – December 2, 2003	TGF - 877.3 NMVF – Nil E2 – Nil VPB – Nil CFVF - Nil
K. Chipman Vallis <sup>(3)(8)</sup> Toronto, Ontario	Class B Share Nominee – Director of NMVF and NGBB President, CEO and Director of Covington Capital Inc. (“Covington Capital”)	NMVF - November 8, 2002 NGBB – July 28, 2005	NMVF – Nil NGBB – Nil
William R. Tharp <sup>(5)(6)</sup> Toronto, Ontario	Class B Share Nominee - Director of E2 Chief Executive Officer and Director of The Quantum Leap Company Limited and Quantum Leap Asset Management Limited	E2 - October 31, 2001	E2 – 500
Scott D. Clark Toronto, Ontario	Class B Share Nominee – Director of NGBB Vice President, Investments, Covington Capital	NGBB – July 28, 2005	NGBB – Nil
Kent H. E. Plumley <sup>(8)</sup> Ottawa, Ontario	Class B Nominee - Director of NGBB Partner, Osler, Hoskin & Harcourt LLP (law firm)	NGBB - December 27, 2000	NGBB - 500
Gregory Holbrook Ottawa, Ontario	Class B Nominee - Director of TGF, NMVF, E2, VPB and CFVF Chairman of the CFPA	TGF – March 7, 2003 NMVF – February 20, 2003 E2 – February 21, 2003 VPB – December 18, 2002 CFVF – December 2, 2003	TGF - 575.652 NMVF – Nil E2 – Nil VPB – Nil CFVF - Nil

<sup>(1)</sup> Member of the Audit and Valuation Committee of TGF

<sup>(2)</sup> Member of the Investment Committee of TGF

<sup>(3)</sup> Member of the Investment Committee of NMVF

<sup>(4)</sup> Member of the Audit and Valuation Committee of NMVF

<sup>(5)</sup> Member of the Audit and Valuation Committee of E2

<sup>(6)</sup> Member of the Investment Committee of E2<sup>(1)</sup>

<sup>(7)</sup> Member of the Audit and Valuation Committee of NGBB

<sup>(8)</sup> Member of the Investment Committee of NGBB

<sup>(9)</sup> Member of the Audit and Valuation Committee of VPB

<sup>(10)</sup> Member of the Investment Committee of VPB

<sup>(11)</sup> Member of the Audit and Valuation Committee of CFVF

<sup>(12)</sup> Member of the Investment Committee of CFVF

## Appointment of Auditors

Ernst & Young LLP have been the auditors of each of the Funds since their inception.

Unless authority to vote in respect of the appointment of auditors is withheld, the management representatives designated in the enclosed form of proxy intend to vote in favour of the re-appointment of Ernst & Young LLP as auditors of each of

the Funds and of Covington Fund to hold office until the close of the next annual meeting of shareholders and to authorize the directors to fix the remuneration of the auditors. To become effective, the re-appointment of Ernst & Young LLP as auditors of a Fund and the authorization of the directors to fix the remuneration of the auditors must be approved by a majority of the votes cast by each class of shareholders of the relevant Fund present in person or by proxy at the Meeting.

### **COVINGTON VENTURE FUND INC.**

***This description of Covington Fund is only a summary of the information available to you. If you would like more information, including a copy of the proposed amalgamation agreement, it can be found in the Detailed Circular. You may retrieve the Detailed Circular from [www.sedar.com](http://www.sedar.com) or [www.covingtonfunds.com](http://www.covingtonfunds.com), or you may contact the Manager of a Fund either in writing at 200 Front Street West, Suite 3003, Toronto, Ontario M5V 3K2 or by telephoning 416-362-2929 or 1-800-467-0287.***

The entity resulting from the Amalgamation of the Funds (the “Amalgamation”) will be Covington Fund. Covington Fund will be created by articles of amalgamation pursuant to the *Canada Business Corporations Act* (“CBCA”) and will be registered as a labour sponsored investment fund corporation under the *Community Small Business Investment Funds Act* (Ontario), as amended (the “Ontario Act”) and as a labour-sponsored venture capital corporation under the *Income Tax Act* (Canada) (“Federal Act”). Covington Fund will have seven series of Class A Shares, Class A Shares, Series I through Series VII.

It is anticipated that Covington Fund will offer Class A Shares, Series II and Class A Shares, Series III (collectively, the “Series II and Series III Shares”) for sale to the public on a continuous basis on a date which is after the Effective Date and after all necessary approvals have been received allowing Covington Fund to distribute those Series II and Series III Shares. The Series II and Series III Shares will be offered at the net asset value per Class A Share, Series II and the net asset value per Class A Share, Series III, respectively. The Series II and Series III Shares subscribed for will be issued as of the first business day following the date on which the subscription is received by Covington Fund for a purchase price equal to the net asset value of the Class A Shares, Series II or the net asset value of the Class A Shares, Series III, as the case may be, at the close of business on the business day on which the subscription is received by Covington Fund. The minimum investment in Class A Shares will be \$500. The board of directors of Covington Fund may, in its sole discretion, discontinue the continuous offering of the Class A Shares of Covington Fund at any time.

Subscriptions will be received subject to rejection or allotment in whole or in part. The Class A Shares are offered for sale only through registered dealers. The Fund will not accept a purchase order placed directly by an investor. For more information, see the “Method of Distribution” section in the Detailed Circular for more information.

### **Service Providers**

***The Manager:*** Covington Group of Funds Inc. (the “Manager”) will be the manager of Covington Fund. For more information about the Manager, see “The Manager” section in the Detailed Circular for more information.

The Manager will work with the Investment Advisor and the Investment Specialists, Quantum Leap Asset Management Limited and Genesys Capital Partners Inc. (collectively, the “Investment Specialists”), to develop and refine the investment strategy and criteria for Covington Fund.

***Investment Advisor:*** Covington Capital (the “Investment Advisor”) will be retained by the Manager to assist in screening and analyzing appropriate investment and divestment opportunities. In addition, the Investment Advisor currently assists some of the Funds in monitoring their investments and providing management, financial and other assistance to portfolio investments. The Investment Advisor will provide advice and analysis in respect of Covington Fund’s investment in eligible businesses.

A senior investment team which includes Messrs. K. Chipman Vallis, Scott Clark, Jeffrey Park and Philip Reddon, have significant experience as investors in, or as advisors to companies such as those that are eligible investments of Covington Fund. For more information about the Investment Advisor see “The Investment Advisor” section in the Detailed Circular for more information.

**Investment Specialists:** The Investment Advisor will retain the Investment Specialists to assist Covington Fund to develop and refine the investment strategy and criteria of certain components of Covington Fund and to assist Covington Fund with the implementation of the Investment Strategy by identifying, structuring and monitoring all of the investments made with net proceeds allocated to each of the Investment Specialists.

**The Sponsor:** The Sponsor of Covington Fund will be the Canadian Federal Pilots Association (the “CFPA”). The CFPA is the current sponsor of each of the Funds. The CFPA represents approximately 470 professional pilots across Canada. The responsibilities of the Sponsor include various activities relating to federal government aviation inspection, regulation, certification, aircraft accident investigation, the air navigation system and Coast Guard helicopter operation.

Currently, the Sponsor owns all of the Class B Shares of each of the Funds which entitles it to elect a majority of the directors who sit on each of the boards of directors of the Funds. Pursuant to the articles of each of the Funds, the Sponsor is not entitled to dividends or other participation rights. The Sponsor will own all of the Class B Shares of Covington Fund. With respect to Covington Fund, the Sponsor has agreed with the Manager to support the election of directors on the basis that two directors will be nominated by the Sponsor and four directors will be nominated by the Manager. If in the future more directors are appointed, they will have to be acceptable to both the Sponsor and the Manager. For more information about the Sponsor see “The Sponsor” section in the Detailed Circular.

**Custodian:** The Custodian is currently expected to be the Royal Trust Company of Canada.

**Registrar and Transfer Agent:** The Registrar and Transfer Agent is currently expected to be Citigroup (formerly Unisen Inc.).

**Auditors:** The Auditors are currently expected to be Ernst and Young LLP.

### **Investment Objective, Concept and Strategy**

**Investment Objective:** The investment objective of Covington Fund is: (i) with respect to all series of Class A Shares, to realize long-term capital appreciation on all or part of its investment portfolio; and (ii) with respect to Class A Shares, Series IV through to Class A Shares, Series VII, to preserve and return an investor’s initial subscription price paid for such Class A Shares on or about the date indicated in the Fund’s original prospectus on the remainder of its investment portfolio. Covington Fund will make investments in eligible Canadian businesses as defined in the Ontario Act. In general terms, eligible Canadian businesses are public or private companies carrying on business in Ontario with less than 500 employees and less than \$50 million of total assets. Covington Fund will invest primarily in emerging, high-growth, Canadian companies and intends to develop and grow investee businesses in cooperation with the strategic relationships introduced by the Manager.

Covington Fund is subject to certain investment restrictions under the Federal Act and the Ontario Act. In addition, Covington Fund has adopted certain other investment policies and guidelines. For more information about the investment objective, the investment concept and the investment strategy outlined below, see the “Offered Securities, Investment Objective and Strategy of Covington Fund” section in the Detailed Circular.

**Investment Concept:** The Manager of Covington Fund believes that Canada has a thriving market for emerging, high-growth companies but the majority of these companies never manage to achieve a cash breakeven level of revenue. These emerging companies operate in all segments of the economy and investing in such companies provide Covington Fund with balanced exposure to a variety of industries including information technology, life sciences, automated manufacturing, communications and retail. The Funds and the Investment Advisor have considerable experience in investing in all of these industry sectors.

It has been the Investment Advisor’s experience that limitations on an emerging company’s revenue growth are attributable largely to a lack of relationships and the inability to establish the necessary channel partners for product distribution in these various sectors. Although obtaining sufficient capital helps to solve these shortcomings, in part, emerging, high-growth companies must also forge relationships with key industry partners so that the capital investment can be efficiently leveraged through relationships with established, successful and strategic partners. The Investment Advisor believes that by introducing strategic relationships into Covington Fund’s investment process, they can greatly

assist the investee companies in the go-to-market strategy. The appropriate candidates will be early to expansion stage companies that would benefit from the Investment Advisor's strategic relationships, in addition to the financing to be provided by Covington Fund. The Manager expects that the introduction of the investee company to the Manager's and Investment Advisor's strategic relationships will assist in establishing appropriate sales channels while providing equally important product and market credibility to prospective customers of the investee company.

**Investment Strategy:** In implementing its investment strategy, Covington Fund will consider a number of factors, including the following:

**Suitability for Relationship Model:** Covington Fund intends to aid in the development and growth of investee businesses by leveraging cooperation with its strategic relationships. Covington Fund will focus on investment opportunities in companies that have technologies and business plans that can benefit from the relationship model in addition to financing to be provided by Covington Fund.

**Investment Diversification:** Covington Fund will invest in the high-growth sectors with a particular emphasis on information technologies, automated manufacturing and health-related companies. The Investment Advisor will seek to limit Covington Fund's investments to 35% of any single industry unless it obtains the approval of the investment committee of Covington Fund.

**Size of Investments:** The size of each investment will depend on the financial requirements of the business in which the investment is made. In most circumstances, the minimum investment is expected to be approximately \$250,000 and the maximum investment is expected to be approximately \$15 million, including any follow on investment requirements. Covington Fund's investment may form part of a larger investment made with other investors.

**Geographic Diversification:** Covington Fund will attempt to diversify its investments geographically by investing in entities carrying on business throughout Canada to the extent permitted by the Ontario Act. There may also be some investments outside of Canada as permitted by the Ontario Act. The transition rules adopted by the Ontario government currently being developed in consultation with the labour sponsored investment fund industry might affect the geographic scope of investments that Covington Fund can make.

**Stage of Development:** By virtue of its segmented approach, Covington Fund will diversify its investments in businesses at different stages of development so as to balance appropriate risks with desired returns.

**Management Team:** Covington Fund will evaluate the cohesiveness and experience of the management team and their commitment to the company's success.

**Realization Potential:** Covington Fund will normally have a reasonable expectation that it will be able to dispose of the investment within five to seven years if it wishes to do so. Some investments may require a greater maturation period in order to realize their full potential.

Covington Fund will seek to acquire, where possible, an ownership position in the business, frequently in excess of 10% of any class or series of a class of securities in the capital of the business, which is significant enough to justify Covington Fund's efforts in making and monitoring the investment. Covington Fund will assess the merits of syndicating an investment on a transaction-by-transaction basis.

### **Summary of Fees and Expenses Payable by the Covington Fund**

**Management Fees:** Covington Fund intends to charge one management fee on the Class A Shares, Series I, Class A Shares, Series II and Class A Shares, Series III of Covington Fund (the "New Equity Shares") which will cover both the management fees, the investment advisory fees and the investment specialist fees referenced below. The management fee is proposed to be 2.50% of net asset value of the Class A Shares, Series I through III.

Covington Fund intends to keep the fee structure paid by each of the holders of shares of the Balanced Funds intact by creating a separate series of Class A Shares of Covington Fund for each of the Class A Shares, Series I of NMVF and the Class A Shares of each of NGBB, VPB and CFVF (the "New Balanced Shares"). Covington Fund will pay the Manager an

annual fee of 2.75%, 3.45%, 3.25% and 2.25%, respectively for each of the Class A Shares of each NMVF (Class A Shares, Series I), NGBB, VPB and CFVF.

The Manager will also be paid an amount equal to the service fee payable to dealers in respect of Covington Fund.

**Investment Advisor Fees:** The Manager will be responsible for the fees paid to the Investment Advisor out of the fees paid to the Manager.

**Investment Specialist Fees:** The Manager will be responsible for the fees paid to the Investment Specialist out of the fees paid to the Manager.

**Performance Bonus:** Subject to regulatory approval being received, the Manager, the Investment Advisor and the Investment Specialists will not be entitled to share in a Performance Bonus as it relates to the performance of the Class A Shares, Series I, the Class A Shares, Series II, Class A Shares, Series III or the Class A Shares, Series VII of Covington Fund.

The Manager, the Investment Advisor and the Investment Specialists will be entitled to share in the Performance Bonus based on the realized gains and cumulative performance of the Class A Share Investment Portfolio as it relates to Class A Shares, Series IV, Class A Shares, Series V and Class A Shares, Series VI of Covington Fund. Before any Performance Bonus is paid by Covington Fund on the realization of an eligible investment of Covington Fund, the Class A Share Investment Portfolio as it relates to Class A Shares, Series IV, Class A Shares, Series V and Class A Shares, Series VI of Covington Fund must have:

- (i) earned sufficient income to generate a rate of return on the Class A Share Investment Portfolio of the applicable series in excess of cumulative annualized threshold return of 6%. The income on the portfolio includes investment gains and losses (realized and unrealized) earned on the eligible investments and incurred since the original inception of applicable series;
- (ii) earned income from the eligible investment which provides a cumulative investment return at an average annual rate in excess of 6% since the date of the investment by the original Fund; and
- (iii) fully recouped an amount equal to all principal invested in the eligible investment by the original Fund.

For clarity, the Performance Bonus will be calculated on the basis of portfolio investment gains and losses earned on eligible investments from the initial commencement of the original Fund prior to the Amalgamation.

Subject to all of the above, the Performance Bonus will be an amount equal to 20% of all income earned from the eligible investment, provided that the payment of the Performance Bonus does not reduce returns to shareholders on the Class A Share Investment Portfolio of the applicable series below the threshold outlined in (a) above. For the purposes of the foregoing, income earned from an eligible investment shall mean income earned by the applicable series of Covington Fund or the predecessor Fund or from any CSBIF. The Performance Bonus will be paid to the Manager and will be allocated among the Manager, the Investment Advisor and the Investment Specialists.

**Sponsor Fees:** Covington Fund will pay to the Sponsor an annual fee equal to 0.25% of the net asset value of Covington Fund for all of the Series of Class A Shares of Covington Fund except for Class A Shares, Series VII for which Covington Fund will pay the Sponsor an annual fee equal to 0.075% of the net asset value of such Series.

**Administrative, Operating and Other Fund Expenses:** Covington Fund will pay all of its administrative expenses including expenses relating to the provision of registrar, transfer agency, trustee, shareholder reporting and other shareholder administration services being provided to Covington Fund. Other Covington Fund expenses will include audit and legal costs, fees and expenses paid to special consultants, certain marketing and directors' fees including fees paid to directors who are members of the Investment Committee or the Valuation Committee. See sections "Operating Expenses" and "Executive Compensation, Management Fees and Performance Bonus" in the Detailed Circular for more information.

Covington Fund will directly pay marketing expenses, subject to applicable securities regulatory requirements.

**Sales Commissions:** See “Summary of Dealer Compensation — Sales Commissions” in the Detailed Circular for more information.

**Distribution Services Fees:** The Manager will be responsible for managing the relationships with registered dealers selling the Class A Shares and will pay a 10% and a 6% sales commission to such dealers in respect of sales of Class A Shares, Series II and Class A Shares, Series III, respectively. However Covington Fund will pay the Manager a monthly Distribution Services Fee equal to 0.160% and 0.096% 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 will be paid to the Manager for eight years following the sale of each Class A Shares, Series II and Class A Shares, Series III. See section “Method of Distribution” in the Detailed Circular for more information.

If it becomes impossible or uneconomic for the Manager to finance sales commissions in the method described above, such sales commissions will have to be charged to Covington Fund. They will not be amortized by Covington Fund.

**Management Expense Ratio:** The management expense ratio (“MER”) is based on total expenses including all fees, charges and expenses paid or payable by Covington Fund for the fiscal year. It is expressed as an annualized percentage of daily average net assets during the fiscal year. There is no MER associated with Covington Fund as it is not currently in existence. For a detailed explanation of the MER, see section “Operating Expenses” in the Detailed Circular for more information.

### **Summary of Expenses Payable by Investors in Covington Fund**

**Sales Charge:** See “Summary of Dealer Compensation — Sales Commissions”.

**Transfer Fee:** Nil.

**RRSP/RRIF Fee:** Nil.

**Share Certificate Fee:** A share certificate will not be issued except on an investor’s request and on payment by the investor of a fee of \$10 (plus GST).

**Redemption Fees:** For the Class A Shares, Series II, a redemption fee of up to 10% of the original issue price calculated as 1.25% times the number of years or part years remaining until the eighth anniversary of the date of issue will be charged by the Manager. After the eighth anniversary of the date of issue there will be no redemption fee.

For the Class A Shares, Series III, a redemption fee of up to 6% of the original issue price calculated as 0.75% times the number of years or part years remaining until the eighth anniversary of the date of issue will be charged by the Manager. After the eighth anniversary of the date of issue there will be no redemption fee.

Class A Shares issued to a shareholder on Amalgamation will be deemed to have been issued on the same date as the Class A Shares of the Fund previously held by such Shareholder prior to the Amalgamation.

See section “Share Capital of Covington Fund - Class A Shares – Redemption by Holders” in the Detailed Circular for more information.

### **Summary of Dealer Compensation**

**Sales Commissions and Service Fees:** For the Class A Shares, Series II, the aggregate sales commission which will be paid by the Manager to registered dealers selling Class A Shares, Series II is 10.0% of the original issue price for each of the Class A Shares, Series II of Covington Fund. The commission will consist of a 6% sales commission paid by the Manager plus an additional 4% commission paid by the Manager. The 4% commission will be in lieu of any service fees payable before the eighth anniversary of the date of issue of the Class A Shares, Series II of the Fund. See section “Method of Distribution” in the Detailed Circular for more information.

For the Class A Shares, Series III, the aggregate sales commission which will be paid by the Manager to registered dealers selling Class A Shares, Series III is 6.0% of the original issue price for each of the Class A Shares, Series III of Covington Fund. See section "Method of Distribution" in the Detailed Circular for more information.

If it becomes impossible or uneconomic for the Manager to finance sales commissions in the method described above, such sales commissions will have to be charged to Covington Fund. They will not be amortized by Covington Fund.

**Service Fee:** After a period of eight years, the Manager will pay to dealers, out of its management fee, a service fee equal to 0.5% annually of the net asset value of the Class A Shares, Series II of Covington Fund held by clients and sales representatives of the dealers.

The Manager will pay to dealers, out of its management fee, a service fee (calculated annually) equal to 0.5% of the net asset value of the Class A Shares, Series III held by the clients of the sales representatives of the dealers. See the "Method of Distribution" section in the Detailed Circular for more information.

### **Summary of Fund Performance**

**Annual Returns:** Covington Fund is not currently in existence and therefore cannot provide any annual returns.

### **Other Information About the Offered Securities**

**Use of Proceeds:** If Covington Fund begins distributing the Series II and Series III Shares, the proceeds will be allocated among the Investment Advisor and Quantum Leap who will identify, structure and monitor investments in eligible businesses as defined in the Federal Act and the Ontario Act and will be used to pay the operating expenses of Covington Fund. For more information see the section "Use of Proceeds" in the Detailed Circular.

**Dividend and Voting Rights:** Holders of Class A Shares will be entitled to receive dividends at the discretion of the Board of Directors of Covington Fund.

Each Class A Share will entitle the holder to receive notice of and to attend all meetings of shareholders of Covington Fund and except for meetings at which only holders of shares of a different class or series are entitled to vote separately as a class or series, the holders of Class A Shares of Covington Fund will be entitled to one vote per share at any such meeting. Holders of Class A Shares will be entitled to elect one of the seven directors of Covington Fund.

**Transfer:** A holder of Class A Shares will be restricted from transferring Class A Shares unless the holder has satisfied any conditions imposed by the Federal Act. The original holder of Class A Shares, in respect of which an Information Return (referred to in paragraph 204.81(6)(c) of the Federal Act) has been issued, may not transfer such Class A Shares except for transfers to or from a registered retirement savings plans ("RRSP") or a registered retirement income funds ("RRIF") under which the holder or the holder's spouse is an annuitant or upon the occurrence of certain events such as the death or terminal illness as described in the Federal Act. See the section "Share Capital of the Fund – Class A Shares – Transfer" in the Detailed Circular for more information.

**Redemption:** A holder of Class A Shares may require Covington Fund to redeem his or her Class A Shares on or after the eighth anniversary of the date of issue of the Class A Shares. Class A Shares may also be redeemed at any time prior to the expiry of the eight year period if an amount in respect of the federal tax credit on such shares is withheld from the redemption proceeds and paid to the Receiver General for Canada and an amount equal to 15% of the original issue price or the redemption price, whichever is less, is withheld and paid to the Minister of Finance (Ontario).

A holder of Class A Shares may also require Covington Fund to redeem his or her Class A Shares prior to expiry of the eight year period without withholding of the tax credit or other amount referred to above in the event of any of the following: (i) the original purchaser has become disabled and permanently unfit for work, or terminally ill or has requested Covington Fund to redeem the Class A Shares within sixty (60) days after the day on which the Class A Shares were issued to the original purchaser and any Information Return and Tax Credit Certificate (the certificate issued by Covington Fund pursuant to subsection 25(2) of the Ontario Act) issued to the holder in respect of such Class A Shares have been returned to Covington Fund; (ii) the original purchaser has died and the Class A Shares have devolved on the individual

as a consequence; or (iii) the Class A Shares are held as an investment by a RRSP or a RRIF under which the original purchaser or the original purchaser's spouse is the annuitant and (a) the original purchaser has died, or (b) the original purchaser has become disabled and permanently unfit for work or terminally ill.

Subject to the withholding of any tax credit or other amount required to be withheld as described above and the deduction of the redemption fees as described below, Class A Shares will be redeemed at the net asset value per Class A Share as of the close of business on the date on which Covington Fund receives the duly completed request for redemption.

In any financial year, Covington Fund will not be required to redeem Class A Shares having an aggregate redemption price exceeding 20% of the net asset value of Covington Fund as of the last day of the preceding financial year. Covington Fund will attempt to maintain at all times sufficient liquid assets to honour redemption requests up to this 20% limit. See section "Share Capital of the Fund — Class A Shares" in the Detailed Circular for more information.

Class A Shares issued to a shareholder on Amalgamation will be deemed to have been issued on the same date as the Class A Shares of the Fund previously held by such Shareholder prior to the Amalgamation.

**Valuation Dates:** In order to establish the net asset value per Class A Share for purposes of issuing and redeeming Class A Shares, valuations of Covington Fund's assets will be carried out on a daily basis. The net asset value per Class A Share will be determined as at the end of each business day.

Where circumstances dictate that investments for which no published market exists should be valued other than at market or cost, the Investment Advisor will convey valuation adjustments to the Registrar and Transfer Agent. The audit and valuation committee of the board of directors of Covington Fund will review and approve the valuation at the end of each financial quarter. Legislation requires a valuation carried out by an independent qualified person. The Covington Fund intends to satisfy this requirement of the Ontario Act by obtaining a valuation that is satisfactory to the Ministry of Finance (Ontario) on an annual basis. See section "Valuation of Investments" in the Detailed Circular for more information.

## **Tax Matters**

**Federal Tax Benefits:** The Federal Act provides that, individuals resident in Canada who purchase Series II and Series III Shares of Covington Fund or annuitants (and the spouse or common-law partner of the annuitant under a spousal plan) under qualifying trusts which are first purchasers of Series II and Series III Shares, will be eligible for a federal tax credit equal to 15% of the purchase price to a maximum credit of \$750 per year based on an investment of \$5,000 per year.

**Ontario Tax Benefits:** Individuals resident in Ontario who purchase Series II and Series III Shares will be eligible for a 15% federal tax credit to a maximum credit of \$750 per year (based on an investment of \$5,000). In addition, individuals resident in Ontario who purchase Series II and Series III Shares will be eligible for a 15% provincial tax credit to a maximum credit of \$750 per year (based on an investment of \$5,000).

Investors who purchase Class A Shares after December 31, 2005, but on or prior to March 1, 2006, or any other date that is the last day for obtaining a federal or Ontario tax credit for the preceding year (the "cut off date"), may elect to have their federal tax credit and their provincial tax credit apply in respect of the 2005 taxation year instead of the 2006 taxation year. The maximum federal and provincial tax credits apply in respect of the individual's aggregate purchases of Class A Shares (and any qualifying shares) issued by registered or prescribed labour-sponsored venture capital corporations or labour sponsored investment fund corporations and similar entities registered under federal or Ontario laws. Class A Shares are generally a qualified investment for a RRSP and a RRIF. The tax credits are generally available to the contributor to a RRSP which purchases Class A Shares directly.

On August 29, 2005, the Ontario government announced that it is planning to eliminate the Ontario Credit for investors in labour sponsored investment fund corporations on a date which will be no earlier than the end of the 2005 taxation year (March 1, 2006). On September 30, 2005, the Ontario government clarified its earlier announcement saying that it will continue the Ontario labour sponsored investment fund program through the 2011 RRSP sales season. The 15% Ontario Credit will be in effect for the next four RRSP seasons (2006 to 2009 for the 2005 to 2008 taxation years) followed by a 10% Ontario Credit for the 2010 season and a 5% Ontario Credit for the 2011 RRSP season. Should the government implement legislation to that effect, investors who purchase Class A Shares after the date the tax credit is officially

eliminated will no longer be eligible for a provincial tax credit as a result of their purchase price of Class A Shares. See section “Eligibility for Investment” of the Detailed Circular for more information.

### **Eligibility For Investment**

In the opinion of Gowling Lafleur Henderson, LLP, so long as Covington Fund continues to be registered as a labour sponsored investment fund corporation under the Ontario Act and as a labour-sponsored venture capital corporation under the Federal Act, the Class A Shares of Covington Fund will be qualified investments for trusts governed by RRSPs and RRIFs at any time, provided that, at the time that the Class A Shares are acquired by the RRSP or RRIF, Covington Fund is a registered labour-sponsored venture capital corporation under the Federal Act (which includes a corporation registered as a labour sponsored investment fund corporation under the Ontario Act) and immediately after the time the Class A Shares were acquired by the RRSP or RRIF, either (i) each annuitant and each beneficiary, if any, under the RRSP or RRIF does not, directly or indirectly, own 10% or more of the issued shares of any class of Covington Fund or of any corporation related to Covington Fund, or (ii) each annuitant and each beneficiary, if any, under the RRSP or RRIF deals at arm’s length within the meaning of the Federal Act with Covington Fund, and does not own, directly or indirectly, shares of any class of Covington Fund or any corporation related to Covington Fund having an aggregate cost amount of more than \$25,000. For these purposes, a person is deemed to own shares owned by a person with whom the first person does not deal at arm’s length for purposes of the Federal Act, and may be deemed to own all or a proportionate share of shares owned by a partnership or a trust of which the person is a member or beneficiary and any shares that the person has a right to acquire.

Although Class A Shares will generally be a qualified investment for RRIFs, a RRIF is not permitted to subscribe directly for Class A Shares and may generally only acquire such shares from certain RRSPs or other RRIFs. The Class A Shares may cease to be qualified investments if Covington Fund ceases to be a labour-sponsored venture capital corporation under the Federal Act. See sections “Income Tax Considerations for Shareholders of Covington Fund” and “Risk Factors of Covington Fund — Penalty Taxes and Revocation of Registration” in the Detailed Circular.

### **Risk Factors**

These securities will be highly speculative in nature and suitable only for investors able to make a long term investment. There will be no formal market, such as a stock exchange, through which Class A Shares will be sold, and none is expected to develop. There will be certain restrictions on the voting, transfer and redemption of Class A Shares. Also, in most cases, investors must pay redemption fees to Covington Fund if their Class A Shares are redeemed within eight years of purchase. Furthermore, Covington Fund will be prohibited by law from making redemptions in certain circumstances, may suspend redemptions for substantial periods of time in certain circumstances and, in any financial year, Covington Fund will not be required to redeem Class A Shares having an aggregate redemption price exceeding 20% of the Net Asset Value of Covington Fund as of the last day of the preceding financial year. Investors in Class A Shares will be relying on the business judgment, expertise and integrity of the Board of Directors and management of Covington Fund and of the Investment Advisor. The values which Covington Fund puts on its investments may not reflect the amounts for which they can actually be sold. There is no assurance that suitable investments in eligible Canadian businesses will be found. It is possible that some of Covington Fund’s investments will not mature and generate expected returns. Many of the rules normally applicable to mutual funds will not apply to Covington Fund. In particular, rules directed at ensuring liquidity and diversification of investments and certain other investment restrictions and practices normally applicable to mutual funds do not apply. Covington Fund may take positions in small and medium sized businesses which represent a larger percentage of the equity than a mutual fund would be permitted to take, and this may increase the risk per investment. Covington Fund may be subject to certain penalty taxes or lose its registration if it fails to meet the investment requirements of the Federal Act and the Ontario Act. If Covington Fund’s registration under the Ontario Act is revoked, investors may be ineligible for federal and provincial tax credits. Investors should consult with a professional advisor. See the “Income Tax Considerations”, the “Share Capital of the Fund” and the “Risk Factors” sections in the Detailed Circular for more information.

## **SHAREHOLDERS’ RIGHTS**

### **Rights of Dissent**

Shareholders of any class of any Fund have a right to dissent in respect of both the Continuance and the Amalgamation.

Pursuant to the provisions of section 190 of the CBCA and section 185 of the OBCA, a shareholder is entitled to send the Fund whose shares they own a written objection to the resolution respecting the Continuance or to the Amalgamation Resolution. A shareholder who complies with the dissent procedure of section 190 of the CBCA or of section 185 of the OBCA, as applicable is entitled to be paid the fair value of the shares held by him or her in respect of which he or she dissents, as determined at the close of business on the day before the resolution respecting the Continuance or the Amalgamation Resolution was passed, minus repayment of the Federal and Ontario tax credits and applicable early redemption fees. The dissent procedure of section 190 of the CBCA and section 185 of the OBCA is summarized in Schedule "C" (which utilizes terms defined herein) and shareholders who may wish to dissent are referred to such Schedule "C", as failure by such shareholder to adhere strictly to the requirements of section 190 of the CBCA or section 185 may result in the loss of the shareholder's rights under that section.

**Each shareholder who might desire to exercise these rights of dissent should carefully consider and comply with the provisions of section 190 of the CBCA or section 185 of the OBCA, as applicable and consult with his or her legal advisor.**

### **Purchasers' Statutory Rights**

Securities legislation in certain of the provinces provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt of a prospectus or within forty-eight hours after the receipt of a confirmation of a purchase of such securities. If the agreement is to purchase such securities under a contractual plan, the time period during which withdrawal may be made may be longer. In several of the provinces securities legislation further provides a purchaser with the remedy of rescission or damages if the prospectus or any amendments contains a misrepresentation or is not delivered to the purchaser. Such remedy must be exercised by the purchaser within the time limit prescribed by the securities legislation of the province or territory in which the purchaser resided. The purchaser should refer to the applicable provisions of the securities legislation of the province for the particulars of these rights or should consult with a legal advisor.

## **OTHER INFORMATION**

### **Recommendation**

**Management and the boards of directors of the Manager and the Funds recommend that securityholders of each Fund vote FOR the proposed resolutions.**

### **Interest of Insiders in the Proposed Amalgamation**

The Manager provides management services to each Fund. If the Amalgamation is approved, the Manager will continue to provide management services to the Covington Fund and will receive management fees as described above.

### **Other Business**

The Manager and the Funds know of no matter to come before the Meetings other than the matters referred to in the Notice of Meetings.

### **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 the notice of meeting and of this Circular have been approved by the directors of each of the Funds.

**BY ORDER OF THE BOARD**

*"K. Chipman Vallis"*

K. Chipman Vallis  
Chief Executive Officer, President and Director

Toronto, Ontario  
October 14, 2005

## **SCHEDULE "A"**

### **FORM OF SPECIAL RESOLUTION OF THE SHAREHOLDERS OF EACH FUND EXCEPT TRIAX GROWTH FUND RESPECTING THE CONTINUANCE**

**WHEREAS** the Fund was formed under the laws of the *Business Corporations Act* (Ontario) by Articles of Incorporation;

**AND WHEREAS** it is considered desirable for the Fund to continue under the laws of the *Canada Business Corporations Act* (the "CBCA").

#### **BE IT RESOLVED THAT:**

1. The Fund is authorized to:
  - (a) make an application to the Ministry of Consumer and Business Services (Ontario) for authorization to export from its Ontario jurisdiction and to continue in the federal jurisdiction under the laws of the CBCA; and
  - (b) file Articles of Continuance and all related documents with Corporations Canada, Industry Canada to continue under the CBCA;
2. subject to such Continuance under the CBCA and without affecting the validity of the Fund or the existence of the Fund by or under its articles or the validity of any act done thereunder, the articles be amended to make all changes necessary to conform them to the CBCA and such other changes as are permitted under the CBCA by substituting for the provisions thereof the provisions set out in the federal Articles of Continuance;
3. the directors of the Fund are authorized to abandon the application to continue under the CBCA without further approval of the shareholders; and
4. any officer or director of the Fund is authorized on behalf of the Fund to execute (under corporate seal or otherwise) and file the abovementioned Articles of Continuance, application for authorization to export and all other documents and do all such other things necessary to give effect to the abovementioned Continuance.

## **SCHEDULE "B"**

### **FORM OF SPECIAL RESOLUTION OF THE SHAREHOLDERS OF EACH FUND RESPECTING THE AMALGAMATION**

#### **BE IT RESOLVED THAT:**

1. The amalgamation (the "Amalgamation"), in the manner described in the Management Information Circular dated October 14, 2005 (the "Circular"), of the Funds into the Covington Venture Fund Inc. is approved;
2. the Amalgamation agreement, substantially in the form set out in the Management Information Circular, and the Amalgamation of the Funds in substantially the manner described in such Amalgamation agreement, are approved with any such changes thereto as may be approved by any one officer or director of the each Fund (such approval to be evidenced by the execution of the Amalgamation agreement by such officer or director);
3. the directors of each of the Funds are hereby authorized to revoke this special resolution or any part of it before it is acted upon and without further approval of each of the Funds if, in the opinion of the directors, they consider it necessary or desirable; and

4. any director or officer of each of the Funds is authorized to execute such instruments, including articles of Amalgamation, and to take all such steps as may be necessary or desirable to implement such Amalgamation and to give effect to the foregoing.

## SCHEDULE "C"

### SHAREHOLDER DISSENT RIGHTS

The procedure to be followed by a shareholder who intends to dissent from Special Resolution Schedule "A" approving the Continuance of each Fund except TGF or from Special Resolution Schedule "B" approving the Amalgamation of each Fund (individually, the "Special Resolution") as described in the accompanying management information circular and who wishes to require the Fund to acquire the shareholder's currently issued Class A Shares and pay the shareholder the fair value thereof, determined as of the close of business on the day before either Special Resolution is adopted, is set out in section 185 of the OBCA or section 190 of the CBCA.

Section 185 of the OBCA or section 190 of the CBCA each provides that a shareholder may only make a claim under that section with respect to all the shares of a class held by the shareholder on behalf of any one beneficial owner and registered in the shareholder's name. One consequence of this provision is that **a shareholder may only exercise the right to dissent under section 185 of the OBCA or section 190 of the CBCA in respect of shares which are registered in that shareholder's name.** In many cases, shares beneficially owned by a person (a "Non-Registered Holder") are registered either (a) in the name of an intermediary that the Non-Registered Holder deals with in respect of the shares (such as banks, trust companies, securities dealers and brokers, trustees or administrators of self-administered RRSPs, RRFs, RESPs and similar plans, and their nominees); or (b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited ("CDS")) of which the intermediary is a participant. Accordingly, a Non-Registered Holder will not be entitled to exercise the right to dissent under section 185 of the Act directly (unless the shares are re-registered in the Non-Registered Holder's name). A Non-Registered Holder who wishes to exercise the right to dissent should immediately contact the intermediary who the Non-Registered Shareholder deals with in respect of the relevant shares and either: (i) instruct the intermediary to exercise the right to dissent on the Non-Registered Holder's behalf (which, if the shares are registered in the name of CDS or other clearing agency, would require that the shares first be reregistered in the name of the intermediary); or (ii) instruct the intermediary to re-register the shares in the name of the Non-Registered Holder, in which case the Non-Registered Holder would have to exercise the right to dissent directly.

A registered shareholder who wishes to invoke the provisions of section 185 of the OBCA or section 190 of the CBCA must send to the Fund a written objection to the Special Resolution (the "Notice of Dissent") at or before the time fixed for the meeting at which the Special Resolution is to be voted on. The sending of a Notice of Dissent does not deprive a registered shareholder of his or her right to vote on the Special Resolution but a vote either in person or by proxy against the Special Resolution does not constitute a Notice of Dissent. A vote in favour of the Special Resolution will deprive the registered shareholder of further rights under section 185 of the OBCA or section 190 of the CBCA.

Within 10 days after the adoption of the Special Resolution by the shareholders, the Fund is required to notify in writing each registered shareholder who has filed a Notice of Dissent and has not voted for the Special Resolution or has withdrawn his or her objection (a "Dissenting Shareholder") that the Special Resolution has been adopted. A Dissenting Shareholder shall, within 20 days after receiving notice of adoption of the Special Resolution or, if the shareholder does not receive such notice, within 20 days after the shareholder learns that the Special Resolution has been adopted, send to the Fund a written notice (the "Demand for Payment") containing his or her name and address, the number of Class A Shares in respect of which the shareholder dissents, and a demand for payment of the fair value of such shares. Within 30 days after sending a Demand for Payment, the Dissenting Shareholder shall send the certificates representing the shares in respect of which the shareholder dissents to the Fund or its transfer agent. The Fund or the transfer agent shall endorse the share certificates with a notice that the holder thereof is a Dissenting Shareholder under section 185 of the Act and shall forthwith return the share certificates to the Dissenting Shareholder. If a Dissenting Shareholder fails to send his or her share certificates, the shareholder has no right to make a claim under section 185 of the OBCA or section 190 of the CBCA.

After sending a Demand for Payment, a Dissenting Shareholder ceases to have any rights as a holder of the shares in respect of which the shareholder has dissented other than the right to be paid the fair value of such shares as determined

section 185 of the OBCA or section 190 of the CBCA, unless: (i) the Dissenting Shareholder withdraws his or her Demand for Payment before the Fund makes a written offer to pay (the "Offer to Pay"); (ii) the Fund fails to make a timely Offer to Pay to the Dissenting Shareholder and the Dissenting Shareholder withdraws his or her Demand for Payment; or (iii) the directors of the Fund revoke the Special Resolution, in all of which cases the Dissenting Shareholder's rights as a shareholder are reinstated.

Not later than seven days after the later of the date the articles of amendment are filed giving effect to the Special Resolution and the day the Fund receives the Demand for Payment, the Fund shall send, to each Dissenting Shareholder who has sent a Demand for Payment to the Fund, an Offer to Pay for the shares of the Dissenting Shareholder in respect of which the shareholder has dissented in an amount considered by the directors of the Fund to be the fair value thereof, accompanied by a statement showing how the fair value was determined. Every Offer to Pay made to Dissenting Shareholders for shares of the same class shall be on the same terms. The amount specified in an Offer to Pay which has been accepted by a Dissenting Shareholder shall be paid by the Fund within 10 days of the acceptance, but an Offer to Pay lapses if the Fund has not received an acceptance thereof within 30 days after the Offer to Pay has been made. If the Fund does not make an Offer to Pay or if a Dissenting Shareholder fails to accept an Offer to Pay, the Fund may, within 50 days after the date the articles of amendment are filed giving effect to the Special Resolution or within such further period as a court may allow, apply to the court to fix a fair value for the Common Shares of any Dissenting Shareholder. If the Fund fails to so apply to the court, a Dissenting Shareholder may apply to the court having jurisdiction in the place where the Fund has its registered office or in the province where the Dissenting Shareholder resides if the Fund carries on business in that province for the same purpose within a further period of 20 days or within such further period as the court may allow. A Dissenting Shareholder is not required to give security for costs in any application to the court.

On making an application to the court, the Fund shall give to each Dissenting Shareholder who has sent to the Fund a Demand for Payment and has not accepted an Offer to Pay, notice of the date, place and consequences of the application and of the shareholder's right to appear and be heard in person or by counsel. All Dissenting Shareholders whose shares have not been purchased by the Fund shall be joined as parties to any such application to the court to fix a fair value and shall be bound by the decision rendered by the court in the proceedings commenced by such application. The court is authorized to determine whether any other person is a Dissenting Shareholder who should be joined as a party to such application.

The court shall fix a fair value for the shares of all Dissenting Shareholders and may in its discretion allow a reasonable rate of interest on the amount payable to each Dissenting Shareholder from the date the articles of amendment are filed giving effect to the Special Resolution until the date of payment of the amount ordered by the court. The final order of the court in the proceedings commenced by an application by the Fund or a Dissenting Shareholder shall be rendered against the Fund and in favour of each Dissenting Shareholder. The cost of any application to a court by the Fund or a Dissenting Shareholder will be in the discretion of the court.

Dissenting Shareholders will still be responsible for paying any applicable redemption fees and repaying any tax credits received as a result of their investment in Class A Shares if their Class A Shares are redeemed within eight years of purchase.

The above is only a summary of the dissenting shareholder provisions of the Act, which are technical and complex. It is suggested that a shareholder of the Fund who wishes to dissent seek his or her own legal advice, as failure to comply strictly with the provisions of the Act may result in the loss or unavailability of the right to dissent.

## **SCHEDULE "D"**

### **PRO FORMA FINANCIAL STATEMENTS OF COVINGTON FUND**

*The pro forma statement of net assets of Covington Fund is provided for illustrative purposes only to show the effect on the balance sheet of Covington Fund if the Amalgamation of all of the Funds occurred on July 31, 2005. It has been compiled on the basis described below from the balance sheet of each of the Funds at July 31, 2005. Due to its nature, the pro forma statement of net assets may not give a true picture of the financial picture of the Covington Fund and is designed to give only an indication of the net assets of Covington Fund.*

**Covington Venture Fund Inc.**  
**PROFORMA STATEMENT OF FINANCIAL POSITION**  
(in \$ thousands except per share amounts and number of shares)

As at July 31	TGF	NMVF I	NMVF II	E2	NGBB	VPB	CFVF	Total before GAAP Adj.	GAAP Zero Adjustment(1)	PRO FORMA TOTAL	Notes
<b>ASSETS AND LIABILITIES</b>											
<b>Assets</b>											
Marketable securities, at market value	33,055	18,753	1,047	100	17,463	15,762	3,662	89,822		89,822	
Venture investments, at fair value	40,974	6,707	27,837	8,440	7,899	9,100	9,530	110,487		110,487	
Accrued dividend and interest receivable	1,033	1	14	52	-	-	11	1,111		1,111	
Due from brokers	-	-	543	-	-	-	-	543		543	
Cash	329	(6)	7	92	-	-	2	424		424	
Accounts receivable & other assets	-	-	1,826	30	58	78	-	1,992		1,992	
	75,391	25,455	31,274	8,714	25,420	24,930	13,195	204,379		204,379	
<b>Liabilities</b>											
Accounts payable and accrued liabilities	874	3,662	379	220	1,609	2,115	154	9,013		9,013	
Balanced Shares (Class A, Series IV, Series V, Series VI & Series VII)	-	-	-	-	-	-	-	-	56,592	56,592	
Income taxes payable	24	2	2	1	1	4	2	36		36	
Redemptions payable	32	5	4	-	10	-	-	51		51	
	929	3,669	385	221	1,620	2,119	166	9,099		9,099	
<b>Net assets, at market value</b>	<b>74,461</b>	<b>21,786</b>	<b>30,889</b>	<b>8,493</b>	<b>23,800</b>	<b>22,811</b>	<b>13,039</b>	<b>195,279</b>		<b>138,687</b>	
Percentage of NAV	63.7%	15.7%	22.3%	6.1%	17.2%	16.4%	9.4%	140.8%			
Percentage of Total Assets	36.9%	12.5%	15.3%	4.3%	12.4%	12.2%	6.5%	100.0%			
Percentage of shareholdings											
<b>Net assets, at market value per Series</b>											
Series I	73,447	21,786	-	7,164	23,800	22,811	13,039	111,500			Previously MMFV Series I
Series II	213	-	30,889	449	-	-	-	662			Previously NGBB Series I
Series III	801	-	-	860	-	-	-	1,681			Previously VPB Series I
Series IV	-	-	-	-	-	-	-	23,800			Previously CFVF Series I
Series V	-	-	-	-	-	-	-	22,811			
Series VI	-	-	-	-	-	-	-	13,039			
Series VII	-	-	-	-	-	-	-	-			
<b>Class A Shares outstanding</b>	<b>19,184,598</b>	<b>2,234,505</b>	<b>-</b>	<b>1,483,553</b>	<b>2,508,604</b>	<b>2,400,974</b>	<b>1,357,428</b>	<b>11,149,954</b>			
Series I	51,200	-	7,023,992	83,573	-	-	-	66,169			Previously MMFV Series I
Series II	192,093	-	-	165,177	-	-	-	168,101			Previously NGBB Series I
Series III	-	-	-	-	-	-	-	2,234,505			Previously VPB Series I
Series IV	-	-	-	-	-	-	-	2,508,604			Previously CFVF Series I
Series V	-	-	-	-	-	-	-	2,400,974			
Series VI	-	-	-	-	-	-	-	1,357,428			
Series VII	-	-	-	-	-	-	-	-			
<b>Net Asset Value per Class A Share</b>											
Series I	\$3.83	\$9.75	\$0.00	\$4.83	\$9.49	\$9.50	\$9.61	\$10.00			Previously MMFV Series I
Series II	\$4.15	\$0.00	\$4.40	\$5.37	\$0.00	\$0.00	\$0.00	\$10.00			Previously NGBB Series I
Series III	\$4.17	\$0.00	\$0.00	\$5.39	\$0.00	\$0.00	\$0.00	\$10.00			Previously VPB Series I
Series IV	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$9.75			Previously CFVF Series I
Series V	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$9.49			
Series VI	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$9.50			
Series VII	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$9.61			
<b>Zero Coupon Bonds (at amortized cost)</b>											
NMVF (Par\$22,415,150)		16,756							16,756		
NGBB (Par\$22,325,767)				15,785					15,785		
Held in CSBIF (Par\$3,030,033)				2,267					2,267		
VPB (Par\$24,056,500)					14,353		2,569		14,353		
Capital First (Par\$4,815,601)							4,842		2,989		
Held in CSBIF (Par\$8,755,316)									4,842		
	0	16,756	0	0	18,052	14,353	7,431		56,592		

(1) The Class A Shares of NMVF, Series I, NGBB, VPB and CFVF will become Class A Shares, Series IV, V, VI and VII respectively of the Covington Fund. Each of these series have various capital repayment date on these dates, holders of these shares are receive the full amount of their original subscription price. A portion of the subscription price for these shares has been invested in zero-coupon bonds to meet the payment obligations at the various capital repayment dates. This amount is reflected as a liability to reflect the payment obligation in accordance with generally accepted accounting principles.