COVINGTON VENTURE FUND INC.

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON WEDNESDAY APRIL 23, 2014

AND

MANAGEMENT INFORMATION CIRCULAR
RESPECTING THE SALE OF THE ASSETS
ATTRIBUTABLE TO THE CLASS A SERIES I, II, III, IV, V SHARES (THE "AFFECTED SERIES") AND THE AMENDMENT OF THE ARTICLES TO PERMIT THE REDEMPTION OF THE AFFECTED SERIES

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
COVINGTON VENTURE FUND INC.

NOTICE IS HEREBY GIVEN that a special meeting (the "**Meeting**") of shareholders of Covington Venture Fund Inc. (the "**Fund**") will be held at the offices of Gowling Lafleur Henderson LLP, 1 First Canadian Place, 100 King Street West, Suite 1600, Toronto, Ontario on Wednesday, April 23, 2014 at the hour of 1:30 p.m. (Toronto time). The purpose of the Meeting will be to allow the holders of Class A Shares, Series I, II, III, IV and V (the "**Affected Series**") an opportunity:

1. to consider and, if deemed advisable, to approve the special resolution of shareholders of the Affected Series (the "**Disposition & Redemption Resolution**") authorizing (a) the sale of the assets of the Fund attributable to the Affected Series, including in particular all of the venture portfolio assets underlying the value attributable to the Affected Series (the "**Venture Portfolio**") pursuant to an asset purchase agreement dated as of March 24, 2014 between Covington Fund II Inc. and the Fund (the "**Asset Purchase Agreement**") and (b) the amendment of the articles of the Fund to permit the automatic redemption of the Affected Series of Class A Shares by the Fund upon the holder of such shares being able to redeem those shares without the obligation to repay any tax credits issued in connection with those shares, all as more particularly set forth in the accompanying management information circular (the "**Circular**") prepared for the purpose of the Meeting; and

2. to transact such further and other business affecting only the Affected Series as may properly be brought before the Meeting or any adjournment thereof.

The Circular includes important information respecting the proposed asset sale transaction and the proposed amendment of the articles attributable to the Affected Series. The intention of the transactions contemplated therein is to provide a return of capital on the redemption of the Class A Shares held by shareholders of the Affected Series forthwith upon the shareholder having owned the shares for at least eight years and to leave unaffected those shareholders who hold Class A Shares, Series VI, VII, VII and IX (the "**Unaffected Series**").

The full text of the Asset Purchase Agreement is available free of charge on www.sedar.com, or by contacting the Fund or Covington Capital Corporation by email at info@covingtonfunds.com, by mail at 87 Front Street East, Suite 400, Toronto, ON, M5E 1B8 or by telephoning the Fund or Covington Capital Corporation at 416-365-0060 or toll free at 1-866-244-4714. The full text of the Disposition & Redemption Resolution is set forth in Schedule A to the Circular.

Under the *Canada Business Corporations Act*, registered shareholders of the Affected Series have the right to dissent with respect to the Disposition & Redemption Resolution. If the Disposition & Redemption Resolution becomes effective, only registered shareholders of the Affected Series who properly exercise their dissent rights to the Disposition & Redemption Resolution will be entitled to be paid fair value for their shares. **Failure to comply strictly with the dissent procedures may result in the loss or unavailability of any right of dissent.** See "Rights of Dissenting Shareholders" and Schedule D to the Circular.

If the Disposition & Redemption Resolution is approved and the transactions contemplated by that resolution are completed, in the circumstances described in the Circular, holders of the Affected Series may receive upon redemption of their shares cash or in lieu of cash, units of CI Money Market Fund deposited directly in their accounts. Shareholders will be able to redeem the units of the CI Money Market Fund for cash, without charge, any time they choose to do so. If you are a holder of shares of one of the Affected Series who could receive units of CI Money Market Fund upon completion of the transactions, a copy of the prospectus for the CI Money Market Fund is included in your package of materials for the Meeting. **CI Investments Inc. is the manager of CI Money Market Fund and is also the fund administrator of the Fund. See "Management of the Fund".**

All holders of the Class A Shares of the Fund and Class B Shares of the Fund registered at the close of business on March 4, 2014 will be entitled to receive notice of the Meeting. Only holders of the Affected Series registered at the close of business on March 4, 2014 will be entitled to vote at the Meeting. Holders of the Unaffected Series and Class B Shares of the Fund are not entitled to vote at the Meeting.

DATED at Toronto on March 24, 2014.

By Order of the Board of Directors

(Signed) *Philip R. Reddon*

President & Chief Executive Officer

Shareholders of the Affected Series who are unable to attend the Meeting in person are requested to exercise their right to vote by completing, dating, signing and returning, in the envelope provided for that purpose, the enclosed form of proxy to CI Investments Inc. at CI Financial, 15 York Street, 2nd Floor, Toronto, Ontario M5J 0A3, Attention: Third Party Administration SO THAT IT ARRIVES NO LATER THAN 1:30 p.m. (TORONTO TIME) ON TUESDAY, APRIL 22, 2014 OR 24 HOURS PRIOR TO ANY ADJOURNMENT OF THE MEETING.

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COVINGTON VENTURE FUND INC.
MANAGEMENT INFORMATION CIRCULAR

SOLICITATION OF PROXIES

The information contained in this Management Information Circular (the "**Circular**") is furnished in connection with the solicitation of proxies from holders of Class A Shares, Series I, II, III, IV and V (the "**Affected Series**") of Covington Venture Fund Inc. (the "**Fund**") to be used at the special meeting (the "**Meeting**") of shareholders to be held at the offices of Gowling Lafleur Henderson LLP, 1 First Canadian Place, 100 King Street West, Suite 1600, Toronto, Ontario on Wednesday April 23, 2014 at the hour of 1:30 p.m. (Toronto time), and at all adjournments thereof, for the purposes set forth in the Notice of Special Meeting of Shareholders (the "**Notice**") attached to this Circular. **The solicitation of proxies by this Circular is being made by or on behalf of the management of the Fund**. It is expected that the solicitation will be primarily by mail. Proxies may also be solicited personally or by telephone by officers and directors of the Fund. The total cost of the solicitation will be borne by the Affected Series. Except as otherwise stated, the information contained herein is given as at February 28, 2014.

Additional information related to the Fund including the Fund's financial statements and management reports of fund performance is available on the Fund's website at www.covingtonfunds.com or on SEDAR at www.sedar.com.

APPOINTMENT, REVOCATION AND DEPOSIT OF PROXIES

The persons named in the enclosed form of proxy are officers and/or directors of the Fund or nominees of the management of the Fund. **A shareholder of the Affected Series may appoint some other person as proxyholder (who need not be a shareholder or director) to attend and act on his or her behalf at the Meeting or at any adjournment thereof either by inserting the person's name in the blank space provided in the form of proxy or by completing another proper form of proxy.** Shareholders of the Affected Series who are unable to attend the Meeting in person are requested to exercise their right to vote by completing, dating, signing and returning, in the envelope provided for that purpose, the enclosed form of proxy to CI Investments Inc. at CI Financial, 15 York Street, 2nd Floor, Toronto, Ontario M5J 0A3, so that it arrives no later than 1:30 p.m. (Toronto time) on Tuesday, April 22, 2014 or 24 hours prior to any adjournment of the meeting.

A shareholder executing the enclosed form of proxy has the power to revoke it at any time before it is exercised. Section 148(4) of the *Canada Business Corporations Act* (the "**CBCA**") sets 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 the Meeting on the day of the Meeting or any adjournment thereof or in any other manner permitted by law.

A shareholder of the Affected Series attending the Meeting has the right to vote in person and if he or she does so, his or her proxy is nullified with respect to the matters such person votes upon in person.

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 of the Affected Series present at the Meeting or by a proxy holder entitled to vote at the Meeting. Proxies in favour of management will be voted on any ballot that may be called for and, where instructions are given with respect to a particular matter to be acted upon, such proxies will be voted in accordance with such instructions. **If no instructions are given with respect to the particular matters to be acted upon, such proxies will be voted in favour of the motion described.**

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

At the time of printing this Circular the management of the Fund knows of no such amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice. **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.**

The Disposition & Redemption Resolution is a special resolution which must be approved by at least 66⅔% of the votes cast at the Meeting thereon by shareholders of the Affected Series entitled to vote at the Meeting present in person or represented by proxy, voting together as one group.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The Fund is registered as a labour sponsored investment fund corporation ("**LSIF**") pursuant to the *Community Small Business Investment Funds Act, 1992* (Ontario) (the "**CSBIF Act**"). The Fund is also a registered as a labour-sponsored venture capital corporation ("**LSVCC**") pursuant to the *Income Tax Act* (Canada) (the "**Federal Tax Act**").

On January 6, 2006, pursuant to articles of amalgamation filed under the CBCA, six predecessor funds, consisting of Triax Growth Fund Inc. ("**TGF**"), New Millennium Venture Fund Inc. ("**NMVF**"), E2 Venture Fund Inc. ("**E2**"), New Generation Biotech (Balanced) Fund Inc. ("**NGBB**"), Venture Partners Balanced Fund Inc.("**VPB**") and Capital First Venture Fund Inc. ("**CFVF**") (collectively the "**Predecessor Funds**"), amalgamated to form the Fund (the "**Amalgamation**"). Pursuant to the articles of amalgamation, shares of each of the Predecessor Funds were exchanged for shares of the Fund which resulted in the Fund having seven series of Class A Shares.

In connection with the Amalgamation, the Series I, II, III pool of assets was formed by combining the assets attributable to TGF, E2, and Series II of NMVF. Each of Series IV, Series V, Series VI and Series VII referred to shares which entitled their respective holders to an individual portfolio which was held as a separate pool of assets. The pool of assets held for Series IV was formerly the pool of assets which were attached to the Class A Shares, Series I of NMVF. The pool of assets held for Series V was formerly the pool of assets which were attached to the Class A Shares of NGBB. The pool of assets held for Series VI was formerly the pool of assets which were attached to the Class A Shares of VPB. The pool of assets held for Series VII were formerly the assets which were attached to the Class A Shares of CFVF.

Articles of amendment were filed on November 13, 2007 in order to create and designate the share provisions for the Class A Shares, Series VIII ("**Series VIII**") and Class A Shares, Series IX ("**Series IX**") of the Fund. Series VIII and Series IX are the only shares of the Fund that have been created subsequent to the January 2006 amalgamation date.

Effective December 1, 2009 CVF Fund no longer offered Class A Shares for sale to either new or existing investors.

On December 31, 2011, the articles of the Fund were amended to effect the consolidation of the individual pools of assets comprising Series I, II, III as one pool, the assets comprising Series IV as a pool and the assets comprising Series V as a pool into one larger pool of assets comprising the assets of the Affected Series. The entitlement of each shareholder of Class A Shares, Series I, II, III, Class A Shares, Series IV and Class A Shares, Series V was their proportionate interest to the assets of the consolidated pool.

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

	Class of Shares and Series	Authorized Number of Shares	Issued and Outstanding Number of Shares as at March 4, 2014
Covington Venture Fund Inc.	Class A, Series I	Unlimited	203,587
	Class A, Series II	Unlimited	327,612
	Class A, Series III	Unlimited	550,626
	Class A, Series IV	Unlimited	451,443
	Class A, Series V	Unlimited	418,253
	Class A, Series VI	Unlimited	1,161,713
	Class A, Series VII	Unlimited	1,837,871
	Class A, Series VIII	Unlimited	34,765
	Class A, Series IX	Unlimited	80,101
	Class B Shares	Unlimited	600

Each Class A share of the Affected Series entitles the holder thereof to one vote per share. The Class A Shares, Series VI, VII, VIII and IX (the "**Unaffected Series**") and the Class B Shares are not entitled to vote at the meeting.

In accordance with National Instrument 54-101 – *Communication with Beneficial Owners of Securities of the Reporting Issuer*, the Fund has fixed the close of business on March 4, 2014 as the record date for the purpose of determining shareholders entitled to receive the Notice. All shareholders of record as at the close of business on the record date holding shares of the Affected Series are entitled to vote at the Meeting. In order for the Meeting to be duly constituted, two persons must be present in person and each entitled to vote at the Meeting.

At the date of this Circular, to the knowledge of management, no person or company owns of record, and management knows of no person or company who owns beneficially or controls or directs, directly or indirectly, more than 10% of the issued Class A Shares of the Fund. The directors and senior officers of the Fund, as a group, and the directors and senior officers of Covington Capital Corporation (the "**Manager**", "**Covington Capital**" or "**Covington**") beneficially own, directly or indirectly, less than 1% of the issued and outstanding Class A Shares of the Fund. The Canadian Federal Pilots Association ("**CFPA**" or the "**Sponsor**"), the sponsor of the Fund, owns indirectly, through its wholly-owned subsidiary CPFA Sponsor Inc., all 600 (or 100%) of the issued and outstanding Class B Shares.

PARTICULARS OF MATTERS TO BE ACTED UPON

Purpose of the Meeting

As special business at the Meeting, shareholders of the Affected Series will be asked to consider and, if deemed advisable, to approve the special resolution of shareholders of the Affected Series (the "**Disposition & Redemption Resolution**") authorizing (a) the sale of the assets of the Fund attributable to the Affected Series, including in particular all of the venture portfolio assets underlying the value attributable to the Affected Series (the "**Venture Portfolio**", as more particularly described in Schedule B of this Circular) pursuant to an asset purchase agreement dated as of March 24, 2014 between Covington Fund II Inc. ("**Cov II**") and the Fund (the "**Asset Purchase Agreement**") and (b) the amendment of the articles of the Fund to permit the automatic redemption of the Affected Series of Class A Shares by the Fund provided that, at the time of redemption of a Class A Share of the Affected Series, neither the holder nor the Fund is liable to pay taxes under the CSBIF Act or Part XII.5 of the Federal Tax Act, as a consequence of the redemption of the Class A Share of the Affected Series less than eight years after the day on which it was issued (collectively the "**Penalty Taxes**"). The Penalty

Taxes, if applicable, would generally be equal to the Ontario and Federal tax credits received when the Class A Share was issued.

The full text of the Asset Purchase Agreement is available free of charge on www.sedar.com, or by contacting the Fund or Covington Capital by email at info@covingtonfunds.com, by mail at 87 Front Street East, Suite 400, Toronto, ON, M5E 1B8 or by telephoning the Fund or Covington Capital at 416-365-0060 or toll free at 1-866-244-4714. The full text of the Disposition and Redemption Resolution is set forth in Schedule A to this Circular.

If the Disposition & Redemption Resolution is approved and the transactions contemplated by that resolution are completed, in the circumstances described in the Circular, holders of the Affected Series may receive upon redemption of their shares cash or in lieu of cash, units of CI Money Market Fund deposited directly in their accounts. Shareholders will be able to redeem the units of the CI Money Market Fund for cash, without charge, any time they choose to do so. If you are a holder of shares of one of the Affected Series who could receive units of CI Money Market Fund upon completion of the transactions, a copy of the prospectus for the CI Money Market Fund is included in your package of materials for the Meeting. **CI Investments Inc. is the manager of CI Money Market Fund and is also the fund administrator of the Fund. See "Management of the Fund".**

The Disposition & Redemption Resolution is a special resolution which must be approved by at least 66⅔% of the votes cast at the Meeting thereon by shareholders of the Affected Series entitled to vote at the Meeting present in person or represented by proxy, voting together as one group.

The shareholders may also be asked to transact such further and other business affecting only the Affected Series as may be properly brought before the Meeting or any adjournment thereof.

BACKGROUND TO THE TRANSACTION

Rationale for the Acquisition

Covington, the Fund's manager, believes that the Fund is approaching the logical end of its investment life cycle. Approximately 99.6% of the outstanding shares of the Affected Series may be immediately redeemed without liability for Penalty Taxes.

The LSIF sector has undergone dramatic change in the past decade. In September 2005, the Ontario Ministry of Finance announced what was essentially the wind-down of the LSIF program by phasing out the provincial LSIF tax credit after the 2012 RSP season. In 2008, the world economic and subsequent US credit crisis has put markets in a slow and often uncertain recovery position to this day. The volatile markets have had detrimental impacts on merger and acquisition and initial public offering activity which in turn, impacted the ability of the Affected Series to generate liquidity through portfolio exits. In 2013, the Federal Government announced a phase out of the federal LSIF tax credit with complete elimination by 2017. The combination of both the provincial and federal government phase out of the tax credits has resulted in the Fund raising no significant levels of assets from subscriptions in 2006 through 2008 and in 2009 the Fund was closed to new subscriptions. The combination of no inflows of new capital from subscriptions and the market pull back experienced over the past several years has placed liquidity pressures on the entire LSIF industry and on the portfolio of the Affected Series specifically.

Covington assumed the role of investment management of the predecessor funds over the period from 2002 to 2005 and the role of manager of the Fund in 2005. At the time of Amalgamation in 2006, total assets under management in the Affected Series was approximately $160 million in over 50 venture investments. The impetus for the asset consolidation was to generate cost savings by creating economies of scale for fixed costs over a larger asset base, to create a larger more diverse portfolio with a critical mass to enable more effective investment management and to improve the overall liquidity position of the combined series. The Affected Series were closed to new investments at the end of 2009, thereby shifting the focus of the Manager and the Fund from portfolio expansion to management of the existing portfolio

for liquidity in order to allow for redemptions on an ongoing basis and to maximize the potential returns on the venture portfolio for shareholders.

In March 2010, shareholders of Class A Shares, Series IV were notified that such Series had met its original investment objective, that the shareholders could redeem if desired, and thereafter such Series would pursue a conventional venture capital investment strategy. In December 2011, shareholders of Class A Shares, Series V were notified that such Series had met its original investment objective, that the shareholders could redeem if desired, and thereafter the Series would pursue a conventional venture capital investment strategy. Shortly thereafter, the Fund completed an Affected Series Asset Consolidation which combined the venture portfolios of the Affected Series. The impetus for this asset consolidation was also to generate cost savings by creating economies of scale for fixed costs over a larger asset base, to create a larger more diverse portfolio with a critical mass to enable more effective investment management and to improve the overall liquidity position of the Affected Series.

Since the time of the Amalgamation eight years ago, the size of the venture portfolio attributable to the Affected Series has decreased from approximately $160 million down to its current $16.8 million in assets in 9 active portfolio holdings. The Fund and the Manager have, during that period of time, realized exits of portfolio positions and maintained liquidity for shareholders. The Fund has continued to honour redemption throughout that period.

Shareholders of the Affected Series redeemed Class A Shares valued at approximately $5.79 million in fiscal 2013, $13.17 million in fiscal 2012 and $14.23 million in fiscal 2011 respectively. If redemption requests continue at this level, the Fund would be forced to sell a number of the investments in the Venture Portfolio in order to continue to honour redemption requests. The Fund would likely be required to sell Venture Portfolio assets at a discount, believed from experience in the marketplace to be a significant discount, if the Fund was forced to sell selected venture investments in order to generate sufficient liquidity to honour continued redemption requests. Furthermore, there is no certainty that sufficient liquidity could be raised through these initiatives to ensure that redemptions continue to be honoured when requested.

The board of directors of the Fund (the "**Board**") and the Manager now believe that the Affected Series has reached a point in its life cycle where its size, portfolio composition, and level of redemptions in the face of a continuous tight liquidity position, make this the right time to institute an orderly en bloc sale of the Venture Portfolio and an orderly return of capital to shareholders of the Affected Series, by way of redemption of shares of the Affected Series. It is anticipated that this will occur within the next six months.

Approximately 99.6% of the outstanding shares of the Affected Series may be immediately redeemed without liability for Penalty Taxes. Following such redemptions, the Fund will continue to exist and those shareholders of the Affected Series who shareholder who have held their shares for less than eight years (which is currently less than 1% of the total number of shareholders of the Affected Series), will have the option to continue to hold those shares until such time as those shares may be redeemed without incurring Penalty Taxes. The Manager has undertaken to contact those remaining shareholders and work with them to liquidate their position as soon as practicable.

Deliberations in Respect of the Strategic Options Available to the Series

Starting in 2010, the Board asked the Manager to report to the Board, at each Board meeting, the current and forecast liquidity position of the Affected Series. The typical information reviewed by the Board in assessing the liquidity position of the Affected Series included the timing and amount of anticipated exit opportunities within the Venture Portfolio, the timing and amount of expected redemptions by shareholders in the Affected Series, the timing and amount of anticipated follow on financing requirements for portfolio investments attributable to the Affected Series, the anticipated ongoing operating expenses of the Fund attributable to the Affected Series and resultant forecast cash position of the Affected Series.

The Board met 8 times between February 2010 and October of 2012. In addition, there were 12 quarterly meetings of the Valuation Committee of the Board during this period. At each of these meetings, the

Manager provided an update on the liquidity position of the Fund as well as any developments within the Venture Portfolio which could reasonably be expected to provide liquidity over the short term. The Manager reported to the Board on its initiatives to provide liquidity to the Affected Series which have included short term subordinate loans against the Venture Portfolio as well as a number of partial secondary divestitures of individual holdings in the Venture Portfolio to improve the liquidity of the Fund and to maintain ongoing redemptions while at the same time continuing to look to maximize valuations on the remainder of the Venture Portfolio. Included in the Affected Series' portfolio is a public holding which represents a large component of the Series' portfolio. This holding was partially exited during 2012 and again in 2013. However, with a volatile stock price, low daily trading volumes and poor market conditions, the anticipated liquidity from this holding has not materialized. In fact, given the trading volumes in this holding, the only complete exit opportunity would likely come from a strategic sale of this business and not through a sale of shares into the public markets.

At a Board meeting held January 29, 2013, the Manager presented the current and forecast liquidity position of the Affected Series which included the potential exit opportunities for some of the assets in the Venture Portfolio over the near term. As a result of the analysis, the Board directed the Manager to develop strategic alternatives for the Affected Series and its shareholders.

The strategic alternatives considered available to the Affected Series were presented by the Manager and discussed by the Board during meetings which were held in March and October 2013 as well as the Valuation Committee meetings held in April, July, and October of 2013. The strategic options were: (i) to operate on a status quo basis; (ii) a halt of redemptions and an orderly liquidation of the Venture Portfolio; (iii) a merger of the Fund or the Affected Series with another LSIF; and (iv) a halt of redemptions and an en bloc liquidation of the Venture Portfolio.

1. Status Quo – Continue to Manage Affected Series

As outlined below, the conclusion of the Manager and the Board following their analyses was that the Affected Series no longer has the liquidity to safely continue to operate on a status quo basis.

The liquidity within the portfolio attributable to the Affected Series has, with the inability to raise additional capital and the decrease in the size of the portfolio over the last eight years, declined and the only remaining source of liquidity is from additional divestitures of existing Venture Portfolio investments. The timing and quantum of the exits in the Venture Portfolio is uncertain. This is due to the private company status of the vast majority of the holdings in the Affected Series. In addition, external market conditions, such as the recent economic recession, can have an impact on the level of mergers and acquisition activities for companies in the Venture Portfolio making the ability to forecast timing of exits uncertain.

The Board concluded that the Affected Series would not be able to complete follow on investments in companies in the Venture Portfolio which would expose the shareholders of the Affected Series to the potential of dilutive financings thereby reducing the fair value of the individual investments on a go forward basis. It was determined that the Board would be powerless to prevent this dilution if the Affected Series was managed on a status quo basis.

In addition, it was determined that without divestitures of Venture Investments on timelines that were within the control of the Fund, the Affected Series would not have the liquidity to meet ongoing redemption requests of shareholders at some point during calendar 2014. While to date the Fund has been able to honour redemption requests of the Affected Series when requested, the liquidity to continue to honour redemptions when requested would not possible, or at least safely predictable, given the decreased size and diversity of the Venture Portfolio and the uncertainty of the timing of dispositions.

Finally, the Board has been carefully managing the liquidity within the Affected Series in order to meet ordinary course obligations, including deferring the payment of fees to service providers and the Manager and it was becoming increasingly difficult to continue to operate in that manner.

2. Halt of Redemptions and Orderly Liquidation of the Venture Portfolio

The option of halting redemptions by shareholders of the Affected Series and holding the remaining Venture Portfolio until it was converted into liquid assets in the normal course of the investment cycle was considered. The primary benefit of this strategy would be to eliminate one of the significant outflows of cash, specifically, ongoing redemptions being experienced by the Affected Series. However this option failed to solve two of the difficulties described above under the consideration of operating the Affected Series on a status quo basis, specifically this strategy would not solve the dilutive effects of a failure to make selected follow on investments in the Venture Portfolio in order to protect the shareholders of the Affected Series from potentially dilutive financing terms on existing holdings and it would not create any liquidity to meet ordinary course obligations.

Furthermore, the uncertainty relating to the timing of achieving exits in the Venture Portfolio would make it impossible for the Board or the Manager to adequately predict the timing of renewed liquidity for shareholders of the Affected Series. The Manager has over the past 24 months worked diligently to achieve exits in the venture portfolio of the Affected Series in order to provide the liquidity that has been required to continue ongoing redemptions to this stage.

The challenges related to timing of exists and dilution risk make this option unattractive for shareholders of the Affected Series at this time.

3. Merger of the Fund or the Affected Series with another LSIF

The Manager has, over the past 12 months reviewed the LSIF competitive landscape and has had discussions with a number of remaining parties in this market segment about the potential strategy of merger of funds as this market has continued to consolidate. One fund has been attempting to find a liquidity solution of its own and is not a suitable candidate for a merger. Two other LSIFs continue to manage their fund on a status quo basis and do not see the benefits of such a transaction. There were no offers from competing funds as a result of the discussions undertaken by the Manager.

The Manager also explored and reviewed the option of merging the Affected Series with Cov II, an LSIF that is also managed by the Manager, that has a number of investments in common with the Fund and that has a history of merging with other LSIFs.

The Fund engaged counsel to consider a possible merger with Cov II. There were a number of challenging issues including shareholder, manager, regulatory and acquiring fund requirements, restrictions, and approvals. In particular, neither the Fund nor Cov II would be able to benefit from the merger provisions of the LSIF legislation if only the Affected Series was merged. As a result of those challenges, the Fund did not receive an offer to merge the Affected Series with Cov II.

The Board also considered a merger of the Fund, as a whole, with Cov II. However, such a merger would be detrimental to the shareholders of the Unaffected Series, largely because of the reduced cost structure enjoyed by shareholders of the Unaffected Series within the Fund which would not be able to replicated within the larger Cov II structure.

As a result of the foregoing, the Board determined that a merger of the Fund or of the Affected Series with another LSIF was not a viable alternative.

4. A Halt of Redemptions and an En-Bloc Sale of the Venture Portfolio

The Board and the Manager considered the sale of the Venture Portfolio and the return of assets to the shareholders of the Affected Series within 6 months. This option would provide certainty of outcome to the shareholders of the Affected Series and a target date to complete the automatic

redemption and return of capital to shareholders of the Affected Series by way of redemption of shares. It would also enable the Fund to honour its obligations to service providers.

The challenge with this solution would be securing a reasonable price for an illiquid portfolio. The Manager has experience with the en bloc sale of private portfolios from which the Fund was able to benefit and the Board sought independent advice concerning an appropriate discount for the en bloc sale of a private investment portfolio.

Preferred Option Selected by the Board

As described above, the Board determined that the Affected Series does not have the liquidity to continue to operate under a status quo scenario and maintain its ability to meet operating expenses and honour redemptions when requested. At a Board meeting on October, 18, 2013, the Board determined that this option as well as the option of a halting redemptions and liquidating the assets over three years were not attractive options for shareholders of the Affected Series. At that time, the Manager was instructed to focus on a merger or an en bloc sale of the assets of the Affected Series.

Between October 2013 and January 2014, the Manager worked with Fund counsel to evaluate the issues faced by the Affected Series as it considered the possibility of a merger transaction with another LSIF and in particular, with Cov II. The issues included shareholder, manager, regulatory and acquiring fund requirements, restrictions, and approvals. Based on the myriad of issues related to such a transaction, the Board determined that a merger with another LSIF was not a viable alternative and the Board instructed the Manager to pursue an en bloc sale and distribution of the assets to shareholders.

Throughout these discussions, the Board specifically focused its attention on maximizing the value of the Venture Portfolio for the benefit of shareholders. The Manager continued a canvas of potential acquirers of the Venture Portfolio which included other LSIFs, other VC Funds who have invested in one or more of the Affected Series' holdings, and secondary market participants. The Manager was unable to raise any viable offers from any of these parties.

Cov II was identified to be a logical acquirer of the Venture Portfolio for a number of reasons. First, of the 9 active holdings in the Venture Portfolio, 8 are investments that are also held by Cov II representing 99% of the carrying value of the active investments of the Affected Series. Second, Cov II has sufficient liquidity to not only complete the acquisition for cash but to be in a position, given the significant crossover investments, to provide follow on capital to the investee companies. Third, because the acquisition includes crossover investments, there is agreement among the parties as to the carrying value of the holdings and the resultant discount is viewed to be that of a liquidity discount only rather than a liquidity discount and a discount associated with competing views of value. Fourth, the number of crossover investments reduces the need for due diligence on the Venture Portfolio investments and means that a transaction with Cov II could proceed in a timely fashion as an asset sale and automatic redemption of the vast majority of the shareholders of the Affected Series.

As part of the strategic review process, the Fund and Cov II engaged a third party advisor to provide diligence and provide conclusions on the level of discount customary to a secondary en bloc sale of a venture capital portfolio. The report received by the third party advisor substantiated, based on the work conducted, that the discount of 25% was within the range of discounts expected for such a transaction based on the market diligence conducted by such party. Following receipt of the report from the third party advisor, the Board received an offer from Cov II to purchase for cash the Venture Portfolio attributable to the Affected Series.

On February 13, 2014, the Board reviewed the offer from Cov II. The offer provided for an en bloc sale which would provide immediate liquidity in cash to enable an automatic redemption of the vast majority of the shareholders of the Affected Series, which could be expected to be completed within six months. In addition, the sale and automatic redemption would provide a certain outcome in a timely fashion and at a reasonable price to complete a return of capital to the shareholders of the Affected Series which has, including Predecessor Funds amalgamated, been in existence since 1996. The Board also determined

based on the evaluation of options considered available to the Fund that the transaction proposed in the offer would be concluded at a fair and reasonable valuation considering the circumstances and which was supported by the report from a third party advisor that validated the range of discount in the secondary market for en bloc transactions of this nature.

The Board approved (i) the acceptance of the offer from Cov II to acquire the Venture Portfolio and (ii) proceed with a return of capital to the shareholders of the Affected Series by way of redemption of such shares, all subject to Affected Series shareholder approval and negotiation of a satisfactory liquidity discount. On February 14, 2014, the chairman of the Fund met with the chairman of Cov II and discussed the quantum of the liquidity discount proposed. The Fund was advised that Cov II would not proceed with the transaction with less than a 25% liquidity discount, which discount was comfortably within the range of discounts deemed suitable by the third party advisor and was identical to the discount previously applied on the sale of portfolios to third parties by funds managed by the Manager in the context of constrained liquidity. On February 14, 2014, following the agreement of a 25% liquidity discount, the Fund issued a press release and filed a material change report announcing the proposed sale of the Venture Portfolio and its intention to automatically redeem the shares of the Affected Series as soon as practicable. Pending shareholder approval and the completion of the sale, the Fund also halted redemptions of Class A Shares of the Affected Series.

As at January 31, 2014:

- the aggregate net asset value ("**NAV**") of the Affected Series was $16,475,000, including approximately $709,000 in liquid or near cash assets;
- the following Class A Shares of the Affected Series were issued and outstanding: Series I - 1,860,733, Series II- 35,079, Series III – 83,771, Series IV- 207,925 and Series V – 334,261;
- the NAV per share of each such series was: Series I- $5.94, Series II-$5.45, Series III -$5.69, Series IV-$12.37 and Series V-$6.52; and
- the Affected Series had attributable to it approximately $19,196,000 invested in the Venture Portfolio.

A copy of the Fund's unaudited statement of financial position as at January 31, 2014 can be found in Schedule C to this Circular.

The IRC Process

The independent review committee of the Fund (the "**IRC**") met on January 27, 2014 to discuss the potential transaction between the Fund and Cov II. At the meeting, after reasonable inquiry, the IRC concluded that such a transaction would achieve a fair and reasonable result for the shareholders of the Fund, Cov II, and the Affected Series. In coming to this conclusion, the IRC considered, among other things the identified conflicts of interest between the Fund, Cov II and Covington Capital:

1. *Management fees* – In terms of assets under management, the transaction results in a reduction for the Manager wherein fees will be eliminated on over $16 million in net assets.

2. *Liquidity* – Accrued management fees of approximately $300,000 would be payable out of transaction proceeds.

3. *Incentive Participation Amounts* ("**IPA**") – The Affected Series is near the portfolio hurdle whilst Cov II currently above the portfolio hurdle and therefore qualifies for IPA on certain exit events. Should a current qualifying exit event occur in either of the Affected Series or Cov II, the portfolio hurdles would likely be achieved.

Recommendation of the Board

The Board has determined that the transaction (the "**Transaction**") consisting of (a) the sale of the Venture Portfolio pursuant to the Asset Purchase Agreement and (b) the amendment of the articles of the Fund to permit the automatic redemption of the Affected Series of Class A Shares by the Fund provided that, at the time of redemption of a Class A Share of the Affected Series, neither the holder nor the Fund is liable to pay Penalty Taxes, is fair from a financial point of view to the Fund and its shareholders and that the Transaction is in the best interest of the Fund and its shareholders.

At the meeting of the Board held on February 13, 2014, the directors of the Fund unanimously approved the terms of the Transaction and the entry into a letter of intent (to be superseded by the Asset Purchase Agreement), subject to applicable approvals and the settlement of the liquidity discount (as discussed above). The directors of the Fund who are also the principals of the Manager declared a conflict of interest and abstained from voting. The Board recommends that shareholders of the Fund **VOTE FOR** the Disposition & Redemption Resolution authorizing the Transaction.

The Disposition & Redemption Resolution must be approved by at least 66⅔% of the votes cast at the Meeting thereon by shareholders of the Affected Series entitled to vote at the Meeting present in person or represented by proxy, voting together as one group.

THE BOARD OF DIRECTORS OF THE FUND UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE DISPOSITION & REDEMPTION RESOLUTION.

Shareholders of Affected Series are entitled to exercise dissent rights (the "**Dissent Rights**") pursuant to and in the manner set forth in section 190 of the CBCA with respect to the Disposition & Redemption Resolution. See "Rights of Dissenting Shareholders".

ASSET PURCHASE AGREEMENT

Cov II and the Fund entered into a letter of intent dated February 14, 2014. In the letter of intent, Cov II indicated it was prepared to acquire the Venture Portfolio for an aggregate purchase price of $14,331,000, subject to normal course adjustments under the accepted valuation practice for the Fund up to the date of closing. Pursuant to the letter of intent, the completion of the transaction is conditional upon the following: receipt of shareholder approval of the Affected Series, there being no dispositions in the Affected Series portfolio, the negotiation of a definitive asset purchase agreement and the transaction being completed by June 30, 2014. Following the execution of the letter of intent, Cov II performed due diligence on the Venture Portfolio Assets and the Fund and Cov II negotiated the terms of a definitive asset purchase agreement.

The Asset Purchase Agreement, which superseded the letter of intent, was entered into between Cov II and the Fund as of March 24, 2014. The following summary of the Asset Purchase Agreement is qualified in its entirety by the full text of the agreement which is available free of charge on www.sedar.com, or by contacting the Fund or Covington Capital by email at info@covingtonfunds.com, by mail at 87 Front Street East, Suite 400, Toronto, ON, M5E 1B8 or by telephoning the Fund or Covington Capital at 416-365-0060 or toll free at 1-866-244-4714.

The Asset Purchase Transaction

The Fund has entered into the Asset Purchase Agreement, and subject to obtaining any necessary waivers, consents, approvals and agreements to the transfer of assets of the Affected Series, the Fund wishes to sell and Cov II wishes to purchase the Venture Portfolio for an aggregate purchase price of $14,331,000 subject to normal course adjustments under the accepted valuation practice for the Fund up to the closing date (the "**Asset Purchase Transaction**").

Closing Date

The closing date of Asset Purchase Transaction will be 5 business days after the later of (i) the date of the Meeting and (ii) the date of receipt by the parties of all other necessary consents, approvals and agreements needed to complete the transaction, or such later date as may be agreed upon in writing by the parties.

Purchase Price

The purchase price payable by Cov II under the Asset Purchase Agreement will be $14,331,000, subject to any normal course adjustments made to the valuation of the assets prior to the closing date under the existing valuation processes of the Affected Series.

Representations and Warranties

Each of the parties to the Asset Purchase Agreement made certain customary representations and warranties related to their due organization, good standing, and authorization to enter into the Asset Purchase Agreement, and the absence of any violation of or conflict with such party's organizational documents, applicable law or material contracts as a result of entering into the Asset Purchase Agreement. In addition, each party made certain representations and warranties particular to such party. These representations and warranties are, in some cases, subject to specified exceptions and qualifications.

Closing Conditions

Pursuant to the Asset Purchase Agreement, the completion of the Asset Purchase Transaction is conditional upon the following, as well as other customary conditions:

(a) all representations and warranties of the parties made in or pursuant to the Asset Purchase Agreement shall be true and correct as of the closing date;

(b) the parties shall have performed or complied with, in all material respects, all their respective obligations, covenants and agreements under the Asset Purchase Agreement;

(c) no dispositions in the Venture Portfolio shall have occurred from the execution of the Asset Purchase Agreement until the closing date;

(d) the board of directors of each party shall have approved the Asset Purchase Agreement;

(e) the Disposition & Redemption Resolution shall have been approved by the affirmative vote of 66⅔% of the votes cast on the Disposition and Redemption Resolution by the Affected Series shareholders present in person or by proxy at the Meeting, voting together as one group; and

(f) all requisite consents, approvals, orders and authorisations of any Person shall have been obtained prior to the closing date on terms acceptable to Cov II, acting reasonably.

Termination of the Asset Purchase Agreement

The Asset Purchase Agreement may be terminated at or before the closing date as follows:

(a) by Cov II if any closing condition in favour of Cov II is not satisfied at or before the closing date;

(b) by the Fund if any closing condition in favour of the Fund is not satisfied at or before the closing date;

(c) by mutual agreement of the Fund and Cov II;

(d) by either Cov II or the Fund, if the shareholders of the Affected Series do not approve the Disposition and Redemption Resolution at the Meeting; or

(e) in accordance with its terms, if the closing date has not occurred on or prior to June 30, 2014, unless otherwise agreed in writing by the parties.

Amendment

The Asset Purchase Agreement may be modified before or after the Meeting but not later than the closing date, by mutual written agreement of the Fund and Cov II, and any such amendment may, without further shareholder approvals, and subject to applicable law, without limitation:

(a) change the time for performance of any of the obligations or acts of the parties;

(b) waive any inaccuracies or modify any representation or warranty;

(c) waive compliance with or modify any of the covenants; and/or

(d) waive compliance with or modify any conditions precedent.

If required approvals and consents for the Asset Purchase Transaction are not obtained prior to the expected closing date, the Asset Purchase Transaction may be delayed or never concluded. Under the Asset Purchase Agreement, the Asset Purchase Transaction is to be completed by June 30, 2014 at the latest (unless otherwise agreed by the parties in writing).

Assignment

Neither the Asset Purchase Agreement nor any rights or obligations under that Agreement are assignable by any party without the prior written consent of the other parties.

REDEMPTION OF AFFECTED SERIES SHARES

If the Disposition & Redemption Resolution is approved by shareholders of the Affected Series and once the Asset Purchase Transaction is completed, the Affected Series will no longer hold any venture portfolio assets. The only assets attributable to the Affected Series will be the purchase price received pursuant to the Asset Purchase Transaction and certain other cash amounts (or liquid investments). It is at this point that the Fund will commence the process of redeeming Class A Shares of the Affected Series as described below.

The Board anticipates that the distribution to shareholders of their proportionate interest of the net assets of the Affected Series will be made by automatic redemption of all of the shares held by shareholders which have been outstanding for more than eight years. The initial automatic redemption is currently expected to be made shortly after the Asset Purchase Transaction has been completed and after all liabilities (including contingent liabilities, if any) attributable to the Affected Series are satisfied or otherwise dealt with, including the payment of all expenses of the transaction and any applicable taxes. The Board proposes to close down and distribute the assets of the Affected Series to shareholders as follows:

(a) Following the completion of the Asset Purchase Transaction, the only remaining assets attributable to the Affected Series will be the purchase price received pursuant to the Asset Purchase Transaction and certain other cash amounts (or liquid investments).

(b) The Fund will discharge or settle the remaining liabilities attributable to the Affected Series (including contingent liabilities, if any, and including payment of all expenses related to the distribution of assets).

(c) The Fund anticipates that the initial automatic redemption will be made shortly after the Asset Purchase Transaction has been completed and after all liabilities are discharged. Thereafter, the Fund anticipates that the remaining shareholders of the Affected Series will be automatically redeemed on the last business day of each week if on such date they have held their Class A Shares for more than eight years. If a shareholder cannot be located to receive distribution proceeds, such proceeds are required to be paid to the Receiver General of Canada. The number, amount of any particular distributions and timing of instalments paid to shareholders will be at the discretion of the Board.

Estimated Amount Available for Redemption to Affected Series Shareholders

Assuming the Disposition & Redemption Resolution is approved by shareholders of the Affected Series and that the Asset Purchase Transaction is completed, using values attributable to the Affected Series in the Fund's financial statements as at January 31, 2014, the table below sets forth preliminary estimates, of (i) the purchase price, subject to the adjustments outlined in the Asset Purchase Agreement, (ii) the obligations and expenses of the Affected Series during the transaction; (iii) total proceeds available for distribution after the paying of the transaction and redemption-related expenses; and (iv) proceeds per Class A Share of each Series of the Affected Series.

The actual proceeds which will ultimately be available for redemption of Class A Shares of the Affected Series may vary materially from the preliminary estimates set forth below. These estimates are based on the current estimates of the amounts which may be required to satisfy the obligations of the Fund attributable to the Affected Series and to pay the costs and expenses of operating the Affected Series until such time as there are no more shareholders of the Affected Series.

Fund Assets and Expenses*	**Estimated Amounts (in CDN $, except share amounts)**
Gross proceeds of Asset Purchase Transaction**	14,331,000
Cash and Marketable Securities, if any	709,047
Proceeds from sale of other assets (accounts receivable, etc)	60,558
Total Cash Available	**15,100,605**
Estimated expenses:	
Accounts payable	572,060
Loan payable	2,000,000
Accrued liabilities (including normal fund expenses)	532,330
Expense of Transaction (including advisory and other professional fees)	160,000
Redemption-Related Expenses including any taxes payable***	30,000
Total Expenses	**3,294,390**
Total Estimated Net Proceeds Available for Distribution	**11,806,215**
Number of Class A Shares	
Series I	1,860,733
Series II	35,079
Series III	83,771
Series IV	207,925
Series V	334,260

Fund Assets and Expenses*	Estimated Amounts (in CDN $, except share amounts)
Estimated Net Distribution Proceeds per Share	
Series I	$4.26
Series II	$3.91
Series III	$4.08
Series IV	$8.87
Series V	$4.67

* Assumes the Asset Purchase Transaction is completed in mid-2014.

** The purchase price under the Asset Purchase Asset is subject to reduction in respect of certain obligations and certain conditions prior to the completion of the Asset Purchase Transaction. Therefore, there can be no assurance that the Fund will receive the entire the purchase price indicated above.

*** Assumes that redemptions are completed as at June 30, 2014.

Proceeds of the Automatic Redemptions to Shareholders

The net asset value per share on the redemption of each Class A Share of the Affected Series belonging to an individual shareholder (whose location is known) will be paid in cash or, if legally permitted and determined by the Board and service providers to be more commercially practicable, in units of CI Money Market Fund in lieu of cash. Such units will, if applicable, be deposited into that shareholder's investment account, regardless of whether his or her account is held at a brokerage firm or is an RRSP account held as a client account.

The Board and service providers to the Fund are in the process of determining the most efficient and cost-effective settlement for the distribution of redemption proceeds on an account by account basis. If you have received a CI Money Market Fund prospectus with this Circular, you may receive your redemption proceeds in units of CI Money Market Fund. The Disposition & Redemption Resolution provides the Fund with the flexibility to make such a determination after the Meeting and without the consent of shareholders of the Affected Series.

Shareholders of Affected Series will not be expected to pay any sales commissions upon the issuance or any redemption fees or upon the redemption of the units of CI Money Market Fund that they receive as in satisfaction of the redemption of their Shares. Such shareholders will be able to redeem the units of CI Money Market Fund immediately and deploy the proceeds as they desire. CI Investments Inc. is the manager of CI Money Market Fund and is also the fund administrator of the Fund. See "Management of the Fund".

RIGHTS OF DISSENTING SHAREHOLDERS

Shareholders of the Affected Series will be entitled to exercise Dissent Rights pursuant to and in the manner set forth in section 190 of the CBCA with respect to the Disposition & Redemption Resolution. Shareholders of Affected Series that validly exercise their Dissent Rights and do not withdraw their dissent ("**Dissenting Shareholders**") will be entitled to receive the "fair value" of their Class A Shares determined in accordance with section 190 of the CBCA as at the day before the Disposition & Redemption Resolution is adopted by shareholders. Shareholders of Affected Series who have held their Class A Shares for more than eight years should not be required to pay Penalty Taxes regardless of whether they are invoking their Dissent Rights or not. Shareholders of the Affected Series who exercise Dissent Rights and who have held their Class A Shares less than eight years will be liable for Penalty Taxes generally equal to the federal and provincial tax credits granted when the Class A Shares were originally purchased. See "Canadian Federal and Ontario Income Tax Considerations".

The following summary of the Dissent Rights under the CBCA is not a comprehensive description of the procedures to be followed in connection with the exercise of Dissent Rights. The summary is qualified in its entirety by reference to the full text of section 190 of the CBCA which is set out in Schedule D to this Circular. Shareholders of Affected Series who intend to exercise Dissent Rights should seek legal advice and carefully consider and comply with the provisions of the Act pertaining to the exercise of those rights.

Failure to comply with these provisions and to adhere to the procedures established therein may result in the loss of Dissent Rights in respect of the Disposition & Redemption Resolution.

Section 190 of the CBCA provides that a shareholder may only make a claim under that section with respect to all shares of a class held by the shareholder on behalf of any one beneficial owner and registered in the shareholders' name. One consequence of this provision is that a holder of shares may only exercise the right to dissent under section 190 of the CBCA in respect of shares which are registered in that holder's name.

Class A Shares held by Dissenting Shareholders of Affected Series who are ultimately not entitled, for any reason, to be paid "fair value" for such shares shall be deemed to remain Class A shareholders and receive the value of their shares on the same basis as any non-dissenting shareholder of the Fund.

Summary of Dissent Rights

In order to be considered as a Dissenting Shareholder, a shareholder of Affected Series must send to the Fund a written objection to the Disposition & Redemption Resolution at or before the Meeting. A vote against the Disposition & Redemption Resolution does not constitute notice of dissent under the CBCA and a shareholder who votes in favour of the Disposition & Redemption Resolution will no longer be considered a Dissenting Shareholder in respect of the Disposition & Redemption Resolution.

A Dissenting Shareholder may only claim under section 190 of the CBCA with respect to all Class A Shares of the Fund held on behalf of any one beneficial owner and registered in the Dissenting Shareholder's name. Under the Act, there is no right of partial dissent. The filing of a written objection to the Disposition & Redemption Resolution on does not deprive a shareholder of Affected Series the right to vote on the Disposition & Redemption Resolution; however the objection will not be effective if the objecting shareholder votes in favour of the Disposition & Redemption Resolution. The CBCA does not provide, and the Fund will not assume, that a vote against the Disposition & Redemption Resolution constitutes a written objection. Similarly, the revocation of a proxy conferring authority on the proxy holder to vote in favour of the Disposition & Redemption Resolution does not constitute a written objection. Any proxy granted by a shareholder of Affected Series who intends to dissent, other than a proxy that instructs the proxy holder to vote against the Disposition & Redemption Resolution, should be validly revoked in order to prevent the proxy holder from voting such shares in favour of the Disposition & Redemption Resolution and thereby causing the shareholder to forfeit his or her right of dissent.

Within 10 days after shareholders adopt the Disposition & Redemption Resolution, the Fund must send notice of such fact to each Dissenting Shareholder who has not withdrawn their objection and who has not voted in favour of the Disposition & Redemption Resolution. The Dissenting Shareholder has 20 days after receipt of such notice to send the Fund a written notice or, if such notice is not received, within 20 days of learning that the Disposition & Redemption Resolution has been adopted, setting out such holder's name, address, the number of Class A Shares that are subject to the objection and a demand for payment of the fair value of such Class A Shares. Within 30 days of after sending the notice containing the demand for payment, the Dissenting Shareholder must send to the Fund any certificates representing shares subject to the objection. The Fund will endorse the certificates, noting the dissent, and return the certificates to the Dissenting Shareholder.

Upon the sending of the notice to the Fund containing the demand for payment, a Dissenting Shareholder ceases to have any further rights as a shareholder of the Fund except the right to be paid the fair value for the Dissenting Shareholder's Class A Shares, unless (i) the shareholder withdraws the notice before the Fund makes the offer to pay for the Class A Shares, or (ii) the Fund fails to make the offer to pay for

the Class A Shares and the Dissenting Shareholder withdraws the notice, or (iii) the directors of the Fund revoke the Disposition & Redemption Resolution, in which case the Dissenting Shareholder will be reinstated as a shareholder of the Fund as of the date the notice was sent.

No later than 7 days after the later of the closing date of the Asset Purchase Transaction and the day upon which the Fund receives the Dissenting Shareholder's notice containing a demand for payment, the Fund must send to such Dissenting Shareholder a written offer to pay fair value for the Dissenting Shareholder's Class A Shares, as determined by the Board, along with a statement showing how the fair value was determined or a notification that it is unable to pay dissenting shareholders for his or her shares because the Fund is or would after the payment be unable to pay its liabilities as they become due, or the realizable value of the Fund's assets would thereby be less than the aggregate of its liabilities. Such payment must be made by the Fund within 10 days after the offer has been accepted, but any such offer lapses if the Fund does not receive an acceptance thereof within 30 days after the offer has been made. Every offer for the same class and series of shares will be on the same terms.

In the event that the Fund fails to make an offer to a Dissenting Shareholder, or in the event that such offer is not accepted, the Fund or the Dissenting Shareholder may apply to court to fix a fair value for the Fund's Class A Shares of the Dissenting Shareholder. The CBCA contains provisions governing such court application. The text of section 190 of the CBCA setting forth in detail such provisions as well as the right of dissent referred to above is attached as Schedule D to this Circular.

CONSEQUENCES OF THE DISPOSITION & REDEMPTION RESOLUTION NOT BEING APPROVED

In the event that the Disposition & Redemption Resolution is not approved by shareholders of the Affected Series, it is the intention of the Board to continue the halt of redemptions and consider other strategic alternatives for the Affected Series, including an orderly liquidation of the Venture Portfolio of the Affected Series. It is anticipated any other alternatives to the Fund would be completed in approximately 24 months, with the proceeds available for shareholders of the Affected Series being unknown at this time.

CANADIAN FEDERAL AND ONTARIO INCOME TAX CONSIDERATIONS

This is a general summary of the principal Canadian federal income tax consequences of the Asset Purchase Transaction and redemption of Class A Shares of the Affected Series relevant for the Fund and its shareholders who are individuals (other than trusts) resident in Canada who hold Class A Shares of the Fund as capital property and deal at arm's length with the Fund. Generally, Class A Shares will be capital property to the holder thereof unless the holder is a trader or dealer in securities or has acquired the Class A Shares as part of an adventure in the nature of trade. This summary is based on the current provisions of the Federal Tax Act and the regulations thereunder (the "**Tax Regulations**"), all specific proposals to amend the Federal Tax Act and the Tax Regulations publicly announced by or on behalf of the Department of Finance (Canada) prior to the date hereof and amendments to the Federal Tax Act which will be recommended to the Department of Finance (Canada). The summary does not otherwise take into account or anticipate any changes in law, whether by legislative, regulatory, administrative or judicial action or decision, or changes in the administrative and assessing practices of the Canada Revenue Agency ("**CRA**") or the provincial authorities. Furthermore, this summary does not take into account any provincial or any territorial or foreign income tax laws, and assumes that specific proposals to amend the Federal Tax Act and the Tax Regulations will be enacted as proposed but no assurance can be given that this will be the case. This summary assumes that the Fund is and will continue to be throughout the relevant times a registered LSIF and and a registered LSVCC under the Federal Tax Act.

The summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular shareholder. Accordingly, shareholders of the Fund should consult with their own tax advisors for advice with respect to the tax consequences of the transactions contemplated in the Disposition and Redemption Resolution having regard to their own particular circumstances.

Tax Consequences to the Fund

As a result of the Disposition & Redemption Resolution, the Fund will dispose of the Venture Portfolio for proceeds of disposition equal to the purchase price as determined in the Asset Purchase Agreement.

On the transfer of the Venture Portfolio assets to Cov II, the Fund will realize a capital gain (or capital loss) to the extent its proceeds of disposition in respect of each asset net of costs of disposition exceed (or are exceeded by) the adjusted cost base of such asset. One-half of any capital gains ("**taxable capital gains**") net of one-half of capital losses ("**allowable capital losses**") will be included in the income of the Fund and taxed at the Fund's ordinary combined federal and provincial tax rate. Any allowable capital losses realized in prior tax years can be used to offset any taxable capital gains realized on the sale of all of the assets of the Fund in accordance with the provisions of the Federal Tax Act. Similarly, any non-capital losses incurred in the year or in prior years of the Fund may be used to offset any taxable capital gains realized on the sale of all of its assets in accordance with the provisions of the Federal Tax Act.

Tax paid by the Fund on net realized capital gains is refundable on a formula basis when Class A Shares are redeemed if the Fund elects to pay capital gains dividends to its Class A Shareholders. The Fund does not expect to have net realized capital gains on the disposition of the Venture Portfolio assets and does not intend to elect to pay capital gains dividends to its Class A Shareholders in respect of the disposition of those assets.

The Fund will continue to own the assets attributable to the Unaffected Series of Class A Shares and will continue to carry on its venture capital business. The Fund intends to retain its status as an LSIF pursuant to the CSBIF Act and as a registered LSVCC under the Federal Tax Act. The articles of the Fund governing its authorized capital and the management of its business and affairs will continue to comply with the requirements of the Federal Tax Act and the CSBIF Act. The Fund will comply with the provisions of those articles and will comply with all other requirements of the CSBIF Act applicable to LSIFs and the requirements of the Federal Tax Act applicable to LSVCCs.

Provided that the Fund continues to comply with the restrictions imposed by its articles and otherwise complies with the provisions of the CSBIF Act and the Federal Tax Act, the Fund's registration as an LSIF under the CSBIF Act and its registration as an LSVCC under the Federal Tax Act should not be revoked and there should be no penalty taxes imposed on the Fund in respect of any such revocation or discontinuance of its venture capital business for purposes of the Federal Tax Act.

Tax Implications for Holders of Class A Shares of the Unaffected Series

Provided that the Fund continues to be registered as an LSIF under the CSBIF Act and as an LSVCC under the Federal Tax Act and the holders of the Class A Shares of the Unaffected Series continue to hold those shares at all material times there should be no Penalty Taxes or other tax implications to those holders in connection with the transactions contemplated by the Disposition & Redemption Resolution.

Tax Implications for Holders of Class A Shares of the Affected Series

On the redemption of the Class A Shares of the Affected Series more than eight years after they were issued, neither the holders of those Class A Shares nor the Fund will be subject to Penalty Taxes under the CSBIF Act or Part XII.5 of the Federal Tax Act in respect of the redemption of those Class A Shares.

On the redemption of Class A Shares of the Affected Series at a time that is less than eight years after those Class A Shares were issued, the holders will be liable for Penalty Taxes generally equal to the Ontario and Federal tax credits received when the Class A Shares were issued. This will be the case even if the Class A Shares are held in a registered retirement savings plan ("**RRSP**") or a tax-free savings account ("**TFSA**") or registered retirement income fund ("**RRIF**"). The Fund is required to withhold Penalty Taxes from the redemption proceeds and remit those amounts to the relevant government authorities and is, itself, liable for any such Penalty Taxes it fails to withhold and remit.

On the redemption of a Class A Share of the Affected Series, the redemption proceeds will be treated as proceeds of disposition of the Class A Share and the holder (other than an RRSP, TFSA or RRIF) will realize a capital gain (or capital loss) equal to the amount by which the redemption proceeds exceed the adjusted cost base of the Class A Share to the holder and any reasonable costs of disposition. The cost of a Class A Share to the holder will generally be the subscription price paid for that share. The cost of each Class A Share acquired will be averaged with the adjusted cost base of all other Class A Shares of the same Series held by the holder for the purpose of determining the adjusted cost base of each Class A Share at any subsequent time. The adjusted cost base of a Class A Shares is not reduced by Federal and Ontario tax credits received by the holder when the share was issued.

A capital loss that would otherwise arise on the redemption of a Class A Share will be reduced by the amount of any Federal and Ontario credits received in respect of the Class Share by the holder of the Class A Share (or by a person with whom the holder does not deal at arm's length).

One-half of any capital gain or capital loss will be the holder's taxable capital gain or allowable capital loss, as the case may be. Taxable capital gains must be included in computing the holder's income. Allowable capital losses in excess of taxable capital gains for the year may generally be carried back three years and carried forward indefinitely for deduction against taxable capital gains in those years.

RRSPs, RRIFs and TFSAs are not taxed on capital gains and cannot use any capital losses realized on the redemption of Class A Shares.

Tax Consequences for Dissenting Shareholders

The tax implications for shareholders of the Affected Series who exercise Dissent Rights will be the same as for other holders of the Affected Series whose shares are redeemed. Penalty Taxes will be payable if the Dissenting Shareholder has held the Class A Shares of the Affected Series for less than eight years.

MANAGEMENT OF THE FUND

1. Covington Capital – The Manager

Covington Capital was established in 1994 to act as manager of Covington Fund I Inc. Since that time Covington Capital has taken on management responsibilities for a number of labour sponsored investment funds in Ontario. Covington Capital is a wholly-owned subsidiary of RC Capital Management Inc. ("**RC Capital**") RC Capital is owned equally by two trusts of which Scott D. Clark and Philip R. Reddon are the sole trustees. The head office of Covington Capital is at 87 Front Street East, Suite 400, Toronto, Ontario M5E 1B8.

2. Officer's and Directors

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

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

Covington Capital was appointed by the Fund to provide management services to the Fund pursuant to an agreement between the Fund and Covington Capital (the "**Management Agreement**"), which was effective as of January 6, 2006. Covington Capital is paid various management fees for managing the seven series of Class A Shares of the Fund from which Covington Capital will pay the investment advisory fees referenced below. The management fee is 2.50% of net asset value of the Class A Shares, Series I, II, III. Covington Capital receives a different management fee for each of the Class A Shares, Series IV, Class A Shares, Series V, and Class A Shares, Series VI. The management fees are 1.50%, 2.30%, and 1.25% of the net asset value of the Class A Shares, Series IV, Class A Shares, Series V, and Class A Shares, Series VI, respectively. The Fund will pay Covington Capital, in its capacity as the manager, an annual management fee of 1.25% of the net asset value of each of the Class A Shares, Series VII, Class A Shares, Series VIII and Class A Shares, Series IX, calculated and paid monthly in arrears. Covington will also be paid an amount equal to the service fee payable to dealers in respect of each of the series of Class A Shares. The head office of the Manager is located at 87 Front Street West, Suite 400, Toronto, Ontario, M5E 1B8.

The management fees accrued to Covington Capital during the most recently completed financial year were $614,680 for Class A Shares, Series I, II, III, IV, V, $80,000 for Class A Shares, Series VI, and $295,000 for Class A Shares, Series VII, VIII, IX. The management fees accrued to Covington Capital for the seven month period ended February 28, 2014 were $342,000 for Class A Shares, Series I, II, III, IV, V, $56,000 for Class A Shares, Series VI, and $158,000 for Class A Shares, Series VII, VIII, IX.

In certain circumstances, the Management Agreement provides for Covington Capital to receive a performance bonus. For the year ended July 31, 2013, the Fund recorded a net performance bonus expense reversal in respect of the performance of the Class A Shares, Series I, II, III, IV, V of approximately $311,000 and paid approximately $144,000 to the Manager in the year. For the seven month period ended February 28, 2014, the Fund recorded a net performance bonus expense reversal in respect of the performance of the Class A Shares, Series I, II, III, IV, V of approximately $93,000 and paid nil to the Manager.

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

Covington Capital receives a different investment advisor fee for each of the Class A Shares, Series IV, Class A Shares, Series V, Class A Shares, Series VI. The investment advisor fees are 1.00%, NIL (formerly 1.15%, this fee has been waived since September 2008), and 2.0% of the net asset value of the Class A Shares, Series IV, Class A Shares, Series V, and Class A Shares, Series VI, respectively. The investment advisor fees accrued to Covington Capital during the most recently completed financial year were $171,320. The investment advisor fees accrued to Covington Capital for the seven month period ended February 28, 2014 were $51,000.

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

For Class A Shares, Series VIII and for Class A Shares, Series IX, Covington Capital paid certain sales commissions to registered dealers with respect to the sale of the Class A Shares, Series VIII and Class A Shares, Series IX and the Fund remunerated Covington Capital for the payment of such commissions and the maintenance of those relationships. For distribution services and for the maintenance of these relationships, the Fund pays Covington Capital a monthly distribution services fee equal to 0.160% (1.92% annually) and 0.096% (1.152% annually) of the original issue price of the Class A Shares, Series IX and Class A Shares, Series VIII, respectively, issued and outstanding during that month. The distribution services fee is paid to Covington for eight years following the sale of each Class A Share, Series VIII and Class A Share, Series IX.

Total distribution series fees paid to Covington Capital during the most recently completed financial year were $309,000. Total distribution series fees paid to Covington Capital during seven month period ended February 28, 2014 were $173,000.

For Class A Shares, Series IX, a total commission of 10% of the original issue price for each Class A Share, Series IX subscribed for pursuant to subscriptions procured by registered dealers and accepted by the Fund was paid to registered dealers selling Class A Shares, Series IX of the Fund. The commission consisted of a 6% sales commission paid by the Fund plus an additional 4% commission paid by the Fund. The 4% commission is in lieu of any service fees payable before the 8th anniversary of the date of issue of the shares of the Fund. Covington reimbursed the Fund for the commission paid by the Fund pursuant to subscriptions for Class A Shares, Series IX accepted until this series ceased offering on March 31, 2008. Covington reimbursed the Fund for the commission paid by the Fund pursuant to subscriptions for Class A Shares, Series IX accepted when the series reopened from October 16, 2008 to March 31, 2009.

For Class A Shares, Series VIII sold, a total commission of 6% of the original issue price for each Class A Share, Series VIII subscribed for pursuant to subscriptions procured by registered dealers and accepted by the Fund is paid by the Fund. Covington reimbursed the Fund for the commission paid by the Fund pursuant to subscriptions for Class A Shares, Series VIII accepted until this series ceased offering on March 31, 2008. Covington reimbursed the Fund for the commission paid by the Fund pursuant to subscriptions from Class A Shares, Series VIII accepted when the series reopened from October 16, 2008 to March 31, 2009.

3. The Fund Administrator

CI Investments Inc. (the "**Fund Administrator**") provides administration, reporting, shareholder relations and transfer agency services to the Fund pursuant to a fund administrator agreement with the Fund (the "**Fund Administrator Agreement**"). The Fund Administrator Agreement provides that the Fund Administrator is to receive an annual fee of 0.60% of the net asset value of Fund. For the year ended July 31, 2013, total fees of $351,000 were paid or payable to the Fund Administrator pursuant to the Fund Administrator Agreement. For the seven month period ended February 28, 2014, total fees of $157,000 were paid or payable to the Fund Administrator pursuant to the Fund Administrator Agreement. The head office of the Fund Administrator is located at CI Place, 15 York Street, Toronto, ON M5J 0A3. The Fund Administrator also provides marketing support and administrative services to each of the Covington Strategic Capital Fund Inc. and Covington Fund II Inc., all labour sponsored investment fund corporations managed by the Manager.

4. The Sponsor

The Fund has entered into a sponsorship agreement ("**Sponsorship Agreement**") with the CFPA retaining it to act as sponsor of the Fund and the holding and voting of Class B Shares of the Fund. A copy of the Sponsorship Agreement is found on SEDAR under the Fund's profile and is described in the Fund's most recent annual information form at www.sedar.com. For the year ended July 31, 2013, total fees of $87,000 were paid or payable to the Sponsor pursuant to the Sponsor Agreement. For the seven month period ended February 28, 2014, total fees of $25,000 were paid or payable to the Sponsor pursuant to the Sponsor Agreement.

INTERESTS OF INSIDERS IN MATERIAL TRANSACTIONS

Certain of the senior officers and directors of the Fund are also directors and/or senior officers of the Manager. Mr. Daniel Slunder, a director of the Fund, is also a senior officer of the Sponsor. The Fund has agreed to pay certain fees to each of the Manager, the Investment Advisor, Fund Administrator and the Sponsor in respect of services provided to the Series by those entities.

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

Except as otherwise disclosed herein, neither the Fund, Covington Capital or the Sponsor, nor any of their directors or officers, nor any associate or affiliate of any of them, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter be acted upon in the Meeting.

OTHER ADDITIONAL INFORMATION

Additional information relating to the Fund, including the Fund's financial statements, MRFP and Annual Information Form, is available on SEDAR at www.sedar.com or at www.covingtonfunds.com. Financial information will be provided in the Fund's comparative financial statements and MRFPs for the year ended July 31, 2012. Copies of the financial statements, MRFPs and Annual Information Forms are also available by contacting the Manager at Suite 400, 87 Front Street East, Toronto, Ontario M5E 1B8 or 1-866-244-4714.

DIRECTORS' APPROVAL

The contents of this Circular and the sending thereof to shareholders of the Fund have been approved by the directors of the Fund.

DATED at Toronto, Ontario on March 24, 2014.

By Order of the Board of Directors

BY ORDER OF THE BOARD OF DIRECTORS OF COVINGTON VENTURE FUND INC.

"Philip Reddon"

Philip Reddon
President and Chief Executive Officer

SCHEDULE A
DISPOSITION & REDEMPTION RESOLUTION

BE IT RESOLVED, AS A SPECIAL RESOLUTION, THAT:

1. Covington Venture Fund Inc. (the "**Fund**") be and is hereby authorized to execute, deliver and perform the asset purchase agreement dated as of March 24, 2014 between Covington Fund II Inc. ("**Cov II**") and the Fund (the "**Asset Purchase Agreement**").

2. The Fund be and is hereby authorized to sell the venture portfolio attributable to the Class A Shares, Series I, II, III, IV and V of the Fund (collectively, the "**Affected Series**") to Cov II in accordance with the terms and conditions of the Asset Purchase Agreement.

3. The following amendments to the rights, privileges, restrictions and conditions attached to the Affected Series to implement the automatic redemption procedure as described in the management information circular of the Fund dated March 24, 2014 are hereby authorized and approved:

   The following be added to Schedule II to the articles of amalgamation of the Fund dated January 6, 2006 (as amended, the "**Articles**"):

   "**A1. Automatic Redemption of Series I-V**

   A1.1 Definitions. In this section A1, the following words and phrases shall have the following meanings:

   "**Asset Purchase Transaction**" means the asset purchase transaction between the Fund and Covington Fund II Inc. pursuant to an asset purchase agreement dated as of March 24, 2014;

   "**Closing Date**" means the effective date of closing of the Asset Purchase Transaction;

   "**Initial Date**" means the last Business Day of the week following the Closing Date, during which week all liabilities (including contingent liabilities, if any) attributable to the Series I-V Shares have been satisfied or otherwise dealt with; provided that such date will be no earlier than four weeks following the Closing Date;

   "**Series I-V NAV per Share**" means, the Net Asset Value per Series I Share, the Net Asset Value per Series II Share, the Net Asset Value per Series III Share, the Net Asset Value per Series IV Share or the Net Asset Value per Series V Share, as applicable; and

   "**Series I-V Shares**" means, collectively, the Series I Shares, the Series II Shares, the Series III Shares, the Series IV Shares and the Series V Shares and "**Series I-V Share**" means any one such share.

   A1.2 Automatic Redemption Procedure. Notwithstanding any other provision of the articles of the Fund, but subject to section A1.4, the overriding discretion of the board of directors of the Fund and applicable law:

   (a) on the Initial Date, the Fund shall redeem all but not less than all of the Series I-V Shares which were issued on a date more than eight years before the Initial Date; and

(b) on the last Business Day of each week following the Initial Date (such date, a "**Subsequent Date**"), the Fund shall redeem all but not less than all of the Series I-V Shares which were issued on a date more than eight years before the Subsequent Date,

in each case, for an amount per Series I-V Share equal to the applicable Series I-V NAV per Share on such date.

Such amount, less any amounts pursuant to withholding and remittance obligations of the Fund, shall be satisfied by the Fund either:

(x) in cash, (A) deposited directly into the account of the holder of Series I-V Share or (B) paid by cheque to or as directed by the holder of such Series I-V Share; or

(y) if legally permitted and determined by the Fund to be more commercially practicable, by delivering or causing to be delivered to or as directed by the holder of such Series I-V Share, that number of units of CI Money Market Fund having a value equal to such amount on such date.

Effective upon such payment or delivery, as the case may be, the applicable Series I-V Shares shall have been duly and validly redeemed and shall thereupon be cancelled.

A1.3 Redemption at the Discretion of the Board. Notwithstanding any other provision of the articles of the Fund, but subject to section A1.4 and applicable law, the board of directors of the Fund may redeem any Series I-V Shares at the applicable Series I-V NAV per Share at such times as it determines in its discretion from of the net proceeds of the Asset Purchase Transaction after all liabilities (including contingent liabilities, if any) attributable to the Series I-V Shares have been satisfied or otherwise dealt with.

A1.4 Termination of Redemption Procedure. The obligations of the Fund under this section A1 shall terminate immediately upon there being no Series I-V Shares issued and outstanding.",

4. Notwithstanding that this special resolution has been duly passed by holders of the Affected Series, the board of directors is hereby authorized and empowered, without any further notice or approval by holders of the Affected Series, to revoke this special resolution at any time prior to the completion of the sale transaction as contemplated hereby or to amend the Asset Purchase Agreement, to the extent permitted thereby, if such revocation or amendment, as the case may be, is considered desirable by the board of directors of the Fund.

5. Any one director or officer of the Fund is hereby authorized and directed to execute all such documents and to do and perform all other acts and things as he or she, in his or her sole and absolute discretion, deems necessary or desirable to carry out the intent of the foregoing special resolution and the matters authorized thereby, such determination to be conclusively evidenced by the preparation and execution of such document or the doing or performance of such act or thing.

SCHEDULE B
SCHEDULE OF VENTURE PORTFOLIO ASSETS

COVINGTON VENTURE FUND INC. – SERIES I, II, III, IV, AND V
VENTURE PORTFOLIO ASSETS as of March 24, 2014

Portfolio Asset	No. and Class/Series of Securities
1293551 Ontario Inc. (o/a Acura/ Masstech)	662,251 Class B Preference Shares 40,177 Common Shares
bitHeads Inc.	9,300,000 Class A Preference Shares 255,518 Class B Preference Shares $150,000 5.5% Promissory Note
BTE Technologies Inc.	5,257 Common Shares
BlackBull Resources	775,000 Common Shares
CounterPath Corporation	4,117,017 Common Shares
Interface Biologics Inc.	1,839.180 Class A Preference Shares
Ironbridge Equity Partners	LP Units
Mist Mobility Integrated Technology Inc.	3,279,080 Common Shares
PowerBand Global Inc.	7,109 Common Shares
Resolver Inc.	1,406,714 Common Shares $1,740,000 18% Promissory Notes
Spartan Biosciences Inc.	1,809,000 Common Shares
Trilliant Inc.	2,261,317 Common Shares
WireIE Holdings International Inc.	11,734,612 Common Shares

SCHEDULE C
UNAUDITED STATEMENTS OF FINANCIAL POSITION

Series I,II,III,IV,V - Covington Venture Fund Inc.
UNAUDITED STATEMENTS OF FINANCIAL POSITION
[in $ thousands except per share amounts and number of shares]

As at	January 31, 2014	July 31, 2013
	$	$
ASSETS AND LIABILITIES		
Assets		
Cash	**709**	353
Venture investments, at fair value	**19,196**	22,984
Accounts receivable	**70**	75
	19,975	23,412
Liabilities		
Accounts payable and accrued liabilities	**1,396**	962
Contingent incentive participation amount payable	**104**	301
Loan payable	**2,000**	-
Redemptions payable	**-**	31
	3,500	1,294
Net assets, at fair value	**16,475**	22,118
Net assets, at fair value per Series		
Series I	**11,056**	14,798
Series II	**191**	269.5
Series III	**477**	677.5
Series IV	**2,573**	3,493
Series V	**2,178**	2,880
Class A Shares outstanding		
Series I	**1,860,733**	2,036,676
Series II	**35,079**	40,577
Series III	**83,771**	97,563
Series IV	**207,925**	232,168
Series V	**334,261**	358,490

Net assets per Class A Share		
Series I	**$5.94**	$7.27
Series II	**$5.45**	$6.64
Series III	**$5.69**	$6.94
Series IV	**$12.37**	$15.04
Series V	**$6.52**	$8.03

Series VI - Covington Venture Fund Inc.
UNAUDITED STATEMENTS OF FINANCIAL POSITION
[in $ thousands except per share amounts and number of shares]

As at	January 31, 2014	July 31, 2013
	$	$
ASSETS AND LIABILITIES		
Assets		
Cash	**241**	729
Marketable securities, at fair value	**5,935**	7,143
Venture investments, at fair value	**2,133**	2,307
Other	**-**	-
	8,309	10,179
Liabilities		
Accounts payable and accrued liabilities	**3,890**	4,824
Redemptions payable	**-**	10
	3,890	4,834
Net assets, at fair value	**4,419**	5,345
Class A Shares outstanding	**574,256**	656,865
Net assets, per Class A Share, Series VI	**7.70**	8.14

Series VII, VIII, IX - Covington Venture Fund Inc.
UNAUDITED STATEMENTS OF FINANCIAL POSITION
[in $ thousands except per share amounts and number of shares]

As at	**January 31, 2014**	July 31, 2013
	$	$
ASSETS AND LIABILITIES		
Assets		
Cash	**264**	273
Marketable securities, at fair value	**15,608**	18,352
Venture investments, at fair value	**4,035**	4,035
Loan receivable	**2,000**	-
Accrued interest receivable	**69**	1
	21,976	22,661
Liabilities		
Accounts payable and accrued liabilities	**422**	318
Contingent incentive participation amount payable	**77**	77
Redemptions payable	**-**	17
	499	412
Net assets, at fair value	**21,477**	22,249
Net assets, at fair value per Series		
Series VII	**$3,965**	$4,463
Series VIII	**$4,162**	$4,238
Series IX	**$13,350**	$13,548
Class A Shares outstanding		
Series VII	**467,590**	525,122
Series VIII	**418,515**	422,353
Series IX	**1,363,715**	1,369,763
Net assets, per Class A Share		
Series VII	**$8.48**	$8.50
Series VIII	**$9.95**	$10.03
Series IX	**$9.79**	$9.89

SCHEDULE D
DISSENT PROVISIONS FROM CANADA BUSINESS CORPORATIONS ACT

190. (1) **Right to dissent** – Subject to sections 191 and 241, a holder of shares of any class of a corporation may dissent if the corporation is subject to an order under paragraph 192(4)(d) that affects the holder or if the corporation resolves to :

(a) amend its articles under section 173 or 174 to add, change or remove any provisions restricting;
(b) constraining the issue, transfer or ownership of shares of that class;
(c) amend its articles under section 173 to add, change or remove any restriction on the business;
(d) businesses that the corporation may carry on;
(e) amalgamate otherwise than under section 184;
(f) be continued under section 188;
(g) sell, lease or exchange all or substantially all its property under subsection 189(3); or
(h) carry out a going-private transaction or a squeeze-out transaction.

(2) **Further right** – A holder of shares of any class or series of shares entitled to vote under section 176 may Dissent if the corporation resolves to amend its articles in a manner described in that section.

(2.1) **If one class of shares** – The right to dissent described in subsection (2) applies even if there is only one class of shares.

(3) **Payment for shares** – In addition to any other right the shareholder may have, but subject to subsection (26), a shareholder who complies with this section is entitled, when the action approved by the resolution from which the shareholder dissents or an order made under subsection 192(4) becomes effective, to be paid by the corporation the fair value of the shares in respect of which the shareholder dissents, determined as of the close of business on the day before the resolution was adopted or the order was made.

(4) **No partial dissent** – A dissenting shareholder may only claim under this section with respect to all the shares of a class held on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

(5) **Objection** – A dissenting shareholder shall send to the corporation, at or before any meeting of shareholders at which a resolution referred to in subsection (1) or (2) is to be voted on, a written objection to the resolution, unless the corporation did not give notice to the shareholder of the purpose of the meeting and of their right to dissent.

(6) **Notice of resolution** – The corporation shall, within ten days after the shareholders adopt the resolution, send to each shareholder who has filed the objection referred to in subsection (5) notice that the resolution has been adopted, but such notice is not required to be sent to any shareholder who voted for the resolution or who has withdrawn their objection.

(7) **Demand for payment** – A dissenting shareholder shall, within twenty days after receiving a notice under subsection (6) or, if the shareholder does not receive such notice, within twenty days after learning that the resolution has been adopted, send to the corporation a written notice containing

(a) the shareholder's name and address;
(b) the number and class of shares in respect of which the shareholder dissents; and
(c) a demand for payment of the fair value of such shares.

(8) **Share certificate** – A dissenting shareholder shall, within thirty days after sending a notice under subsection (7), send the certificates representing the shares in respect of which the shareholder dissents to the corporation or its transfer agent.

(9) **Forfeiture** – A dissenting shareholder who fails to comply with subsection (8) has no right to make a claim under this section.

(10) **Endorsing certificate** – A corporation or its transfer agent shall endorse on any share certificate received under subsection (8) a notice that the holder is a dissenting shareholder under this section and shall forthwith return the share certificates to the dissenting shareholder.

(11) **Suspension of rights** – On sending a notice under subsection (7), a dissenting shareholder ceases to have any rights as a shareholder other than to be paid the fair value of their shares as determined under this section except where

(a) the shareholder withdraws that notice before the corporation makes an offer under subsection (12),
(b) the corporation fails to make an offer in accordance with subsection (12) and the shareholder withdraws the notice, or
(c) the directors revoke a resolution to amend the articles under subsection 173(2) or 174(5), terminate an amalgamation agreement under subsection 183(6) or an application for continuance under subsection 188(6), or abandon a sale, lease or exchange under subsection 189(9), in which case the shareholder's rights are reinstated as of the date the notice was sent.

(12) **Offer to pay** – A corporation shall, not later than seven days after the later of the day on which the action approved by the resolution is effective or the day the corporation received the notice referred to in subsection (7), send to each dissenting shareholder who has sent such notice

(a) a written offer to pay for their shares in an amount considered by the directors of the corporation to be the fair value, accompanied by a statement showing how the fair value was determined; or
(b) if subsection (26) applies, a notification that it is unable lawfully to pay dissenting shareholders for their shares.

(13) **Same terms** – Every offer made under subsection (12) for shares of the same class or series shall be on the same terms.

(14) **Payment** – Subject to subsection (26), a corporation shall pay for the shares of a dissenting shareholder within ten days after an offer made under subsection (12) has been accepted, but any such offer lapses if the corporation does not receive an acceptance thereof within thirty days after the offer has been made.

(15) **Corporation may apply to court** – Where a corporation fails to make an offer under subsection (12), or if a dissenting shareholder fails to accept an offer, the corporation may, within fifty days after the action approved by the resolution is effective or within such further period as a court may allow, apply to a court to fix a fair value for the shares of any dissenting shareholder.

(16) **Shareholder application to court** – If a corporation fails to apply to a court under subsection (15), a dissenting shareholder may apply to a court for the same purpose within a further period of twenty days or within such further period as a court may allow.

(17) **Venue** – An application under subsection (15) or (16) shall be made to a court having jurisdiction in the place where the corporation has its registered office or in the province where the dissenting shareholder resides if the corporation carries on business in that province.

(18) **No security for costs** – A dissenting shareholder is not required to give security for costs in an application made under subsection (15) or (16).

(19) **Parties** – On an application to a court under subsection (15) or (16)

(a) all dissenting shareholders whose shares have not been purchased by the corporation shall be joined as parties and are bound by the decision of the court; and

(b) the corporation shall notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to appear and be heard in person or by counsel.

(20) **Powers of court** – On an application to a court under subsection (15) or (16), the court may determine whether any other person is a dissenting shareholder who should be joined as a party, and the court shall then fix a fair value for the shares of all dissenting shareholders.

(21) **Appraisers** – A court may in its discretion appoint one or more appraisers to assist the court to fix a fair value for the shares of the dissenting shareholders.

(22) **Final order** – The final order of a court shall be rendered against the corporation in favour of each dissenting shareholder and for the amount of the shares as fixed by the court.

(23) **Interest** – A court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective until the date of payment.

(24) **Notice that subsection (26) applies** – If subsection (26) applies, the corporation shall, within ten days after the pronouncement of an order under subsection (22), notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

(25) **Effect where subsection (26) applies** – If subsection (26) applies, a dissenting shareholder, by written notice delivered to the corporation within thirty days after receiving a notice under subsection (24), may

(a) withdraw their notice of dissent, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to their full rights as a shareholder; or

(b) retain a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

(26) **Limitation** – A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that

(a) the corporation is or would after the payment be unable to pay its liabilities as they become due; or

(b) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities.


COVINGTON
GROUP OF FUNDS