

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

PROSPECTUS

CONTINUOUS OFFERING

December 24, 2008

AXIS Investment Fund Inc.

Class A Shares, Series 1 Class A Shares, Series 2

The Fund

Axis Investment Fund Inc. (the “Fund”) is a venture capital investment fund sponsored by the Independent Union of Defence Contractors (the “Sponsor”). The Fund is registered as a labour sponsored investment fund corporation under the *Community Small Business Investment Funds Act* (Ontario) (the “Ontario Act”) and, as a result of such registration, is a prescribed labour-sponsored venture capital corporation under the *Income Tax Act* (Canada) (the “Federal Act”). Certain management services are provided to the Fund by B.E.S.T. Investment Counsel Limited (the “Manager”). See “Organization and Management Details of the Fund – Manager of the Fund”.

Two series of Class A Shares of the Fund (the “Series 1 Shares” and the “Series 2 Shares”) are offered separately hereunder. Each Series 1 Share and Series 2 Share (collectively the “Class A Shares”) is offered for sale at the trading net asset value per Class A Share for the applicable series. The Fund will issue its Class A Shares as a research oriented investment fund (“ROIF”) pursuant to the Ontario Act. The difference between the two series of Class A Shares is the different sales commission, redemption fee and service fee structures associated with each series. Information concerning fees and expenses applicable to the Fund and an investment in Class A Shares is contained in “Fees and Expenses”.

Investment Objective

The Fund makes investments in eligible businesses engaged in the information technology sector with the objective of achieving long-term capital appreciation. As a ROIF, the Fund primarily invests in “Early Stage Research Oriented Companies”. See “Investment Objectives”.

Subscription

Continuous Offering Price	Trading Net Asset Value per Share
Minimum Initial Subscription	\$1,000
Minimum Subsequent Subscription	\$500

There is no direct sales charge to investors on the purchase of Class A Shares. However, the Fund will pay a commission and service fee to registered dealers selling such Class A Shares as follows:

Series 1 Shares: A sales commission of 6% of the original issue price will be paid by the Fund to registered dealers selling Series 1 Shares. In addition, such dealers will be paid a service fee equal to 0.50% annually of the trading net asset value of the Series 1 Shares held by the clients of the sales representatives of the registered dealers.

Series 2 Shares: A sales commission of 6% of the original issue price will be paid by the Fund to registered dealers selling Series 2 Shares. An additional up-front commission of 5% on the original issue price will be paid by the Fund to registered dealers selling Series 2 Shares, in lieu of any service fees being payable before the eighth anniversary of the date of issue. After the eighth anniversary of the date of issue, such dealers may be paid a service fee equal to 0.50% annually of the trading net asset value of the Series 2 Shares held by the clients of the sales representatives of the registered dealers.

Income Tax Considerations

Individuals who purchase Class A Shares are eligible for both a federal tax credit and a provincial tax credit as indicated below. See “Income Tax Considerations”.

	Tax Credit	Maximum Credit ⁽¹⁾	Maximum Investment ⁽²⁾
FEDERAL	15%	\$ 750	\$5,000
ONTARIO ⁽³⁾	20%	\$1,500	\$7,500
TOTAL	35%	\$2,250	

Notes:

- (1) The maximum tax credits are annual, aggregate limits applicable to all purchases of shares of labour-sponsored venture capital corporations, including the Fund.
- (2) Amounts in this column indicate the maximum investment amount for which a tax credit is available.
- (3) The Ontario tax credit is the 15% tax credit applicable to purchases of labour sponsored investment funds (the “Ontario LSIF Credit”) under the Ontario Act, plus an additional 5% ROIF tax credit (the “ROIF Credit”) applicable to purchases of Class A Shares. The Ontario government adopted legislation to phase out both the Ontario LSIF Credit and the ROIF Credit (collectively, the “Ontario Credit”) by the end of the 2011 taxation year and to increase the maximum investment amount to \$7,500. See “Income Tax Considerations”.

Individuals (other than trusts) resident in Ontario who purchase Class A Shares will be eligible for a 20% Ontario Credit (comprised of the 15% Ontario LSIF Credit and the 5% ROIF Credit) to a maximum credit (based on current legislation) of \$1,500 per year (based on an annual investment of \$7,500) and a federal tax credit (the “Federal Credit”) of 15% to a maximum credit of \$750 per year (based on an annual investment of \$5,000). Investors who purchase Class A Shares on or after January 1, 2009, and on or before March 1, 2009, may elect to have their Federal Credit and their Ontario Credit apply in respect of the 2008 taxation year instead of the 2009 taxation year. The maximum Ontario Credit and the maximum Federal Credit apply in respect of an investor’s aggregate purchases of Class A Shares and any qualifying shares issued by registered or prescribed labour-sponsored venture capital corporations (which include Ontario labour sponsored investment fund corporations) other than the Fund. The Ontario Credit is scheduled to be phased out by the end of the 2011 taxation year. The Ontario Credit will not be available beyond the 2012 registered retirement savings plan (“RRSP”) season. The Ontario Credit will be 20% for the 2008 and 2009 taxation years, 15% for the 2010 taxation year, and 10% for the 2011 taxation year and after the 2011 taxation year no Ontario Credit will be available. Accordingly, the maximum Ontario Credit for the 2008 and 2009 taxation years will be \$1,500, the maximum Ontario Credit for the 2010 taxation year will be \$1,125 and the maximum Ontario Credit for the 2011 taxation year will be \$750 (in each case based on an annual investment of \$7,500). Individuals who are issued Class A Shares after the completion of the phase out of the Ontario Credit will not be eligible for the Federal Credit in respect of such shares unless the Fund becomes registered as a labour-sponsored venture capital corporation under the Federal Act. See “Income Tax Considerations” and “Risk Factors”.

Market For Securities

There is no formal market, such as a stock exchange, through which Class A Shares may be sold, and none is expected to develop. There are certain restrictions on the redemption of Class A Shares. See “Risk Factors”.

Risk Factors

These securities are highly speculative in nature. An investment in the Fund may be appropriate only for investors who are prepared to have their money in the Fund for a long period of time and who have the capacity to absorb a loss of some or all of their investment. There is no guarantee that an investment in the Fund will earn a regular rate of return. In addition to the tax benefits of investing in Class A Shares, prospective investors should fully assess the investment merits of the Class A Shares. Although the Fund is a mutual fund under securities legislation, some of the rules designed to protect investors who purchase securities of mutual funds do not apply to the Fund. In particular, compliance with rules directed at ensuring liquidity and diversification of investments and certain other investment restrictions and practices normally applicable to mutual funds have been waived. The phasing out of the Ontario Credit may materially reduce future sales of Class A Shares. In that case, the availability of the funds for investment by the Fund in the future would be reduced, and the liquidity of the Fund may be adversely affected, potentially resulting in a reduction of the value of Class A Shares. See “Risk Factors”.

Mutual funds generally value their investments at the closing market price at which they can be bought and sold. The trading net asset value of Class A Shares is determined quarterly by the board of directors of the Fund (the “Board”) and updated daily by or on behalf of the Manager based upon the most recent quarterly valuation of the Fund’s investments prepared by the Board. In addition to the determination of the trading net asset value of the Class A Shares and the valuation of the Fund’s investments approved by the Board, the Fund’s auditors, PricewaterhouseCoopers LLP, as part of its audit of

the August 31, 2008 financial statements, has performed certain procedures on the value of the Fund's venture investments as at August 31, 2008, and has produced a letter outlining their findings based on those procedures. The valuations by the Administrator (as defined herein) and the Board will be based on assumptions and include inherent uncertainties. Actual values realized when the Fund ultimately disposes of an investment will vary from these estimates, including variations arising from associated selling costs such as sales commissions and legal fees, and the variation may be material. See "Calculation of Net Asset Value".

The Fund may have a contingent liability for the repayment of tax credits in certain circumstances. In most cases investors must repay any tax credit received as a result of their investment in the Fund if their Class A Shares are sold or redeemed within eight years of the date of purchase. Investors must also pay redemption fees if their Class A Shares are redeemed within eight years of the date of purchase. The Fund is prohibited by law from making redemptions in certain circumstances and may also suspend redemptions for substantial periods of time in certain circumstances. The Fund will not, in any financial year, be required to redeem Class A Shares having an aggregate redemption price exceeding 20% of the trading net asset value of the Fund as of the last day of the preceding financial year. Investors may not be able to sell their Class A Shares as there is no formal market, such as a stock exchange, through which Class A Shares may be sold. See "Income Tax Considerations" and "Attributes of the Securities".

Neither the securities administrator nor any other department or agency of the government of Ontario has assessed the merits of an investment in the Fund. The securities administrator and the government of Ontario make no recommendation concerning such an investment and assume no liability or obligation to any investor in the Fund.

Additional information about the Fund is available in the following documents:

1. the most recently filed audited annual financial statements, together with the accompanying report of the auditor;
2. any interim financial statements filed after those audited annual financial statements;
3. the most recently filed annual management report of fund performance; and
4. any interim management report of fund performance filed after that annual management report of fund performance.

These documents are incorporated by reference into this prospectus which means that they legally form part of this prospectus. Please see the "Documents Incorporated by Reference" section for further details.

Investors should read this prospectus and review the financial statements carefully before making an investment decision. Careful consideration should be given to the risk factors associated with making an investment in the Fund. See "Risk Factors". Investors should also consult with their professional advisors prior to making an investment in the Fund.

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ELIGIBILITY FOR INVESTMENT

In the opinion of McMillan LLP, counsel to the Fund, a Class A Share will generally be a qualified investment for a trust governed by a registered retirement savings plan (“RRSP”) or registered retirement income fund (“RRIF”), provided that (i) at the time the Class A Share is acquired by the trust, the Fund is registered as a labour sponsored investment fund corporation under the Ontario Act, (ii) immediately after the time the Class A Share was acquired by the trust, each annuitant and each beneficiary, if any, of the RRSP or RRIF is not a “connected shareholder” of the Fund, and (iii) the RRSP or RRIF does not receive an amount in respect of the Class A Share which may reasonably be considered to be on account of or in lieu or in satisfaction of payment for services to or for the Fund or a person related to the Fund or in respect of the acquisition of goods or services from the Fund or a person related to the Fund. An annuitant or beneficiary will generally be a connected shareholder of the Fund if the annuitant or beneficiary owns, directly or indirectly, 10% or more of the issued shares of any class or series of the Fund or of any corporation related to the Fund. For these purposes, a taxpayer is deemed to own shares owned by any other persons with whom he or she does not deal at arm’s length for the purposes of the Federal Act, his or her proportionate share of shares owned by a partnership of which he or she is a member, and all or part of the shares owned by a trust of which he or she is a beneficiary, depending on the terms of the trust. However, an annuitant or beneficiary will not be a connected shareholder of the Fund if the annuitant or beneficiary deals at arm’s length with the Fund and the cost amount (normally the adjusted cost base) of all shares of the Fund or of any corporation related to the Fund owned or deemed to be owned by the annuitant or beneficiary is less than \$25,000. For purposes of determining whether an annuitant or beneficiary is a connected shareholder of the Fund, a right to acquire a share is treated as a share, whether the right is absolute or contingent, or present or future, and the cost amount of a right is treated as if it were the cost amount of the share.

Provided that proposed amendments to the regulations under the Federal Act are enacted as proposed, a Class A Share will also generally be a qualified investment for trusts governed by tax-free savings accounts (“TFSA”) starting in 2009, provided that (i) at the time the Class A Share is acquired by the trust, the Fund is registered as a labour sponsored investment fund corporation under the Ontario Act and (ii) at the time the Class A Share was acquired by the trust, the holder of the trust (being the individual that contributed to the TFSA) dealt at arm’s length with the Fund and was not a “specified shareholder” of the Fund. A holder will generally be a specified shareholder of the Fund if the holder owns, directly or indirectly, 10% or more of the issued shares of any class or series of the Fund or of any corporation related to the Fund. For these purposes, a taxpayer is deemed to own shares owned by any other persons with whom he or she does not deal at arm’s length for the purposes of the Federal Act, his or her proportionate share of shares owned by a partnership of which he or she is a member, and all or part of the shares owned by a trust of which he or she is a beneficiary, depending on the terms of the trust. No Assurances can be given that the proposed amendments to the regulations under the Federal Act will be enacted as proposed or at all.

Although, as described above, Class A Shares will generally be qualified investments for RRIFs and TFSAs, RRIFs and TFSAs are not permitted to subscribe directly for Class A Shares. On November 27, 2008, proposed amendments to the Federal Act (the “TFSA Amendments”) were tabled in the House of Commons that, if enacted, would allow TFSAs to be issued Class A Shares for purposes of the Federal Act. While the proposed amendments were effectively withdrawn when Parliament was prorogued on December 4, 2008, it is expected that the changes will be re-introduced in substantially the same form after Parliament resumes in January 2009. However, no assurances can be given in this regard. Further, it is unclear whether the TFSA Amendments would allow TFSAs to be issued Class A Shares for purposes of the Ontario Act. Counsel has sought clarification from the Ministry of Finance (Ontario) in this regard. The Fund has informed counsel that it will not issue Class A Shares to TFSAs unless and until both the TFSA Amendments (or similar amendments) are enacted and effective and the Fund is reasonably satisfied that TFSAs can be issued Class A Shares for purposes of the Ontario Act.

Class A Shares can be transferred to RRIFs and TFSAs where the transferor is permitted to do so under the Federal Act and the Ontario Act. A RRIF may generally only acquire Class A Shares from certain RRSPs, RRIFs or individuals in certain circumstances. As at the date of this prospectus, there are no applicable restrictions on the transfer of Class A Shares to a TFSA.

A holder of a TFSA that holds Class A Shares will be subject to a special tax if the Class A Shares cease being a qualified investment for the TFSA. See “Income Tax Considerations”.

PROSPECTUS SUMMARY

The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus or incorporated by reference in this prospectus.

The Fund

Axis Investment Fund Inc. (the “Fund”) was incorporated under the laws of Canada and is registered as a labour sponsored investment fund corporation under the *Community Small Business Investment Funds Act* (Ontario) (the “Ontario Act”). As a result of such registration, the Fund currently qualifies as a prescribed labour-sponsored venture capital corporation under the *Income Tax Act* (Canada) (the “Federal Act”). The Fund qualifies as a research oriented investment fund (“ROIF”) under the Ontario Act for 2008 and intends to qualify as a ROIF for 2009. Accordingly, the Fund primarily invests in “Early Stage Research Oriented Companies”, which are generally Canadian taxable corporations that incur or undertake to incur at least 50% of their expenses on “scientific research and experimental development” (as defined in the Federal Act).

Investment Objectives

The Fund makes investments in eligible businesses engaged in the information technology sector with the objective of achieving long-term capital appreciation. Prospective investments are evaluated in terms of a number of criteria, including the background of the founders and the management team; the commercial viability of the technology; the extent of proprietary intellectual property; the degree of sustainable competitive advantage; the presence of a defined path to liquidity; and the likelihood of a positive exit scenario within a reasonable timeframe. See “Investment Objectives”.

Investment Strategy

The Fund’s investment activities are concentrated in the information technology sector investing particularly in small and medium-sized eligible information technology businesses. The Fund will seek to reduce the risks typically associated with investments in the sector by diversifying the Fund’s portfolio, using a disciplined investment decision process, and working with investee companies by, among other things, providing business advice and other services, aiding in the recruitment process, and helping in the process of raising additional capital.

The success of any fund is determined in large part by its ability to select appropriate investments. The Fund will seek to maximize its return on investments and thereby satisfy the Fund’s investment objectives by maintaining a rigorous evaluation and due diligence process and by structuring investments in a manner that endeavours to allow for investee companies to achieve their greatest appreciation in value and liquidity in a reasonable timeframe. In particular, the Fund will seek to invest in companies that provide immediate cost benefits to their customers and that feature vertical applications of technology that solve acute problems for companies.

B.E.S.T. Investment Counsel Limited (the “Manager”) and the directors and officers of the Fund and the Manager have access to investment opportunities, beyond direct inquiries from entrepreneurs, through a variety of different networks and contacts, including other venture capital investors throughout Canada and the United States, entrepreneurs with which the Manager has worked in the past, professional service provider firms, academics and investment dealers and financial intermediaries. The Manager intends to utilize this network in sourcing investment opportunities for the Fund.

Tax Benefits

Individuals (other than trusts) resident in Ontario at the end of a particular year who purchase either or both of the two series (the “Series 1 Shares” and the “Series 2 Shares”) of the class A shares of the Fund (the “Class A Shares”) will be eligible for a 20% Ontario provincial tax credit (the “Ontario Credit”) to a maximum credit (based on current legislation) of \$1,500 per year (based on an annual investment of \$7,500) and a federal tax credit (the “Federal Credit”) of 15% to a maximum credit of \$750 per year (based on an annual investment of \$5,000). The Ontario Credit is comprised of a 15% provincial tax credit (the “Ontario LSIF Credit”) and a 5% ROIF tax credit (the “ROIF Credit”). Investors who purchase Class A Shares on or after January 1, 2009, and on or before March 1, 2009, may elect to have their Federal Credit and their Ontario Credit apply in respect of the 2008 taxation year instead of the 2009 taxation year. The maximum Ontario Credit and the maximum Federal Credit apply in respect of an investor’s aggregate purchases of Class A Shares and any qualifying shares issued by registered or prescribed labour-sponsored venture capital corporations (which include Ontario labour-sponsored investment fund corporations) other than the Fund. The Ontario Credit is scheduled to be phased out by the end of the 2011 taxation year. The Ontario Credit will not be available beyond the 2012 registered retirement savings plan

("RRSP") season. The Ontario Credit will be 20% for the 2008 and 2009 taxation years, 15% for the 2010 taxation year and 10% for the 2011 taxation year and after the 2011 taxation year no Ontario Credit will be available. Accordingly, the maximum Ontario Credit for the 2008 and 2009 taxation years will be \$1,500, the maximum Ontario Credit for the 2010 taxation year will be \$1,125 and the maximum Ontario Credit for the 2011 taxation year will be \$750 (in each case based on an annual investment of \$7,500). Individuals who are issued Class A Shares after the completion of the phase out of the Ontario Credit will not be eligible for the Federal Credit in respect of such shares unless the Fund becomes registered as a labour-sponsored venture capital corporation under the Federal Act. See "Income Tax Considerations" and "Risk Factors".

The Sponsor

The sponsor of the Fund is the Independent Union of Defence Contractors (the "Sponsor"). The Sponsor, being the sole holder of Class B Shares, must elect a majority of the directors. The Fund currently has four directors and accordingly, the Sponsor is currently entitled to elect three of such directors. The Sponsor has agreed with the Manager to support the election of directors on the basis that one director will be nominated by the Sponsor and the remaining directors will be nominated by the Sponsor upon the recommendation of the Manager. See "Organization and Management Details of the Fund – Sponsor" and "Attributes of the Securities".

While members of the Sponsor may subscribe for Class A Shares, neither the Sponsor nor its members are required to make any investment in the Fund. Individuals investing in Class A Shares need not be members of or have any connection with the Sponsor.

Investment Decisions

The board of directors of the Fund (the "Board") is responsible for reviewing the analysis of eligible businesses performed by, or on behalf of, the Manager, and making investment decisions on behalf of the Fund.

The Manager assists the Board in the screening of prospective investment opportunities that meet the Fund's investment criteria, analyzes the commercial potential of the investment opportunities and, subject to the recommendation and approval of the Board, implements investment decisions made by the Board. The Manager also assists the Board in evaluating the performance of investee companies on an ongoing basis and assists in the management of investee companies where appropriate. In providing services to the Fund, the Manager may also engage the services of investment advisors, individuals with specific expertise and other advisors from time to time. See "Investment Strategies – Investment Implementation and Monitoring" and "Organization and Management Details of the Fund".

Offered Securities

<i>Offering</i>	Class A Shares, Series 1 and Class A Shares, Series 2 of the Fund
<i>Offering Price</i>	Class A Shares are offered at the trading net asset value per Class A Share for the applicable series as of the end of the business day on which the subscription for Class A Shares is received or on the following business day if received after 4:00 p.m. Toronto time or on a day that is not a business day. The term "business day" when used in this prospectus means a day other than a Saturday, a Sunday or a public holiday on which the banks are not open for business in Toronto, Ontario.
<i>Minimum Investment</i>	Minimum initial subscription: \$1,000 Minimum subsequent subscription: \$500
<i>Distribution</i>	Class A Shares are sold through registered dealers permitted to sell Class A Shares. Any such registered dealer will receive a sales commission on each Class A Share subscribed for pursuant to subscriptions procured by such dealer and accepted by the Fund. See "Fees and Expenses" and "Plan of Distribution".

Description of Class A Shares

<i>Purchase</i>	<p>Class A Shares will be issued only to individuals (other than trusts) and to certain RRSPs and, if and when permitted, tax-free savings accounts (“TFSA”). See “Attributes of the Securities – Description of the Securities Distributed – Class A Shares” and “Income Tax Considerations”.</p>
<i>Dividend and Voting Rights</i>	<p>Holders of Class A Shares are entitled to receive dividends at the discretion of the Board. Each Class A Share entitles the holder to one vote at all general meetings of shareholders. Holders of Class A Shares are generally entitled to elect the number of directors equal to the total number of directors to be elected minus a simple majority of such number. As the Board consists of four directors, holders of Class A Shares are entitled to elect one director. Holders of Class B Shares are entitled to elect the remaining directors of the Fund, but in all cases the holders of Class B Shares are entitled to elect a majority of the directors.</p>
<i>Transfer</i>	<p>A holder of Class A Shares is restricted from transferring such shares unless the holder has satisfied all applicable conditions, if any, of the Federal Act, the Ontario Act and other similar provincial legislation having application to the holder or the Fund. As at the date of this prospectus, there are no applicable restrictions on the transfer of Class A Shares. See “Eligibility for Investment” and “Attributes of the Securities – Description of the Securities Distributed – Class A Shares – Transfer”.</p>
<i>Redemption</i>	<p>A holder of Class A Shares may require the Fund to redeem his or her Class A Shares without repayment of tax credits on or after the eighth anniversary of the date of issue of the Class A Shares. Class A Shares may also be redeemed at any time prior to the expiry of the eight year period if an amount that is generally equal to the Ontario Credit on such shares and an amount in respect of the Federal Credit is withheld from the redemption amount and paid to the Ontario and federal authorities. Generally, a holder may also request the Fund to redeem his or her Class A Shares without such withholding in certain very limited circumstances as a result of death or permanent disability. See “Attributes of the Securities – Description of the Securities Distributed – Class A Shares” and “Income Tax Considerations”.</p> <p>Under the Ontario Act, when determining the date on which a Class A Share that was issued in February or March is redeemed for the purpose of the tax credit recovery provisions, a redemption that occurs in February or on March 1 is deemed to occur on March 31. This measure is intended to accommodate Class A shareholders wishing to acquire new Class A Shares in the first 60 days of a year with the proceeds from the redemption of Class A Shares.</p> <p>Subject to redemption restrictions and the withholding of any amount required to be withheld as described above and the deduction of the redemption fees described below, Class A Shares will be redeemed at the trading net asset value per Class A Share determined as at the close of business on the day on which the Fund receives the request or on the following business day if the request is received after 4:00 p.m. Toronto time or on a day that is not a business day.</p> <p>In any financial year, the Fund is not required to redeem Class A Shares having an aggregate redemption price exceeding 20% of the trading net asset value of the Fund as of the last day of the preceding financial year. See “Attributes of the Securities – Description of the Securities Distributed – Class A Shares”.</p>
<i>Redemption Fee</i>	<p>Holders of Class A Shares who request the Fund to redeem such shares before the eighth anniversary of the date of issue will be charged an early redemption fee of, in the case of the Series 1 Shares, 0.75%, and in the case of the Series 2 Shares, 1.375%, of the redemption amount for each year or part year remaining before the eighth anniversary. After the eighth anniversary, there is no redemption fee.</p>

Valuation

In order to establish the trading net asset value per Class A Share for purposes of issuing and redeeming Class A Shares, valuations of the Fund's assets will be carried out by the Board on a quarterly basis. The trading net asset value per Class A Share for each series, which will be based on the most recent valuation, will be determined daily by or on behalf of the Manager. See "Calculation of Net Asset Value".

Risk Factors

An investment in the Fund is subject to a variety of risks, which include the following:

- These securities are highly speculative in nature and suitable only for investors able to make a long-term investment. It is likely that some or all of the Fund's investments will not mature and generate expected returns.
- Investors in Class A Shares will be relying on the business judgement, expertise and integrity of the Board and the Manager. The Sponsor will be electing a majority of the directors of the Fund.
- It is likely that investee companies will require additional financing following the investments made by the Fund in order to fully implement their business strategies. If the Fund is unable to raise additional capital after it has met the investment pacing requirements applicable to the Fund, it will be reliant upon third parties to provide such financing in order to realize on investments in investee companies. The ability of the Fund to raise additional capital is dependent upon a number of factors, including the state of the capital markets and legislative changes to the labour sponsored investment fund program.
- Many of the businesses in which the Fund will invest are developing products or services that will require significant additional development, testing and investment prior to any final commercialization and therefore should be considered early stage investments with greater levels of risk than investments typically made by other investment funds. There can be no assurance that such products will be successfully developed, or be capable of being produced in commercial quantities at reasonable costs, or that any such products or services will be successfully marketed. The likelihood of the long-term success of the Fund must be considered in light of the expenses, difficulties and delays frequently encountered in connection with the development of new technology, and the competitive environment of the information technology industry.
- The trading net asset value of the Fund is based on the value of the securities and investments in the Fund's portfolio and, therefore, the value of the Class A Shares will increase or decrease with the value of such investments. The value of the securities and investments will fluctuate with general economic conditions including the level of interest rates, corporate earnings, economic activity, the Canadian dollar and other factors. The risks associated with such fluctuations may be amplified for investors as emerging businesses are often affected by external events to a greater degree than larger, more established businesses.
- Venture capital investment in eligible technology businesses according to the investment restrictions and policies applicable to the Fund requires a greater commitment to investment analysis than investments in most other securities. The valuations that the Fund puts on its investments may not reflect the amounts for which they can actually be sold. In addition, the cost to determine the value of the Fund's assets for which no published market exists will be greater than valuation costs for mutual funds that invest primarily in listed securities. Consequently, the operating expenses of the Fund will be substantially higher than those of many mutual funds and other pooled investment vehicles.
- There is no formal market, such as a stock exchange, through which Class A Shares may be sold, and none is expected to develop. There are certain restrictions on the redemption of Class A Shares.
- In any financial year the Fund will not be required to redeem Class A Shares having an aggregate redemption price exceeding 20% of the trading net asset value of the Fund as of the last day of the preceding financial year and may suspend redemptions for substantial periods of time in such circumstances. Although the Fund intends to maintain at all times sufficient liquid assets to honour redemption requests up to such 20% limit, it cannot guarantee that it will be able to honour all redemption requests at the time they are made. The majority of the Fund's investments are in private companies which are illiquid assets and, as such, the Fund may not be able to exit such investments on favourable terms to satisfy redemption requests.

- As a labour sponsored investment fund, the Fund is subject to investment restrictions and requirements under the Ontario Act. The Fund is subject to further restrictions and requirements in order to qualify as a ROIF. There is no assurance that suitable investments in eligible businesses will be found. The Fund may be subject to certain penalty taxes or lose its registration if it fails to meet the investment requirements of the Ontario Act. If the Fund's registration is revoked, investors who acquire Class A Shares after the revocation will be ineligible for the Federal Credit or the Ontario Credit and the Class A Shares may cease to be a qualified investment for a trust governed by a RRSP, a registered retirement income fund ("RRIF") or TFSA.
- The phasing out of the Ontario Credit may materially affect future sales of Class A Shares. As a result, the availability of funds for investment by the Fund in the future may be reduced and the liquidity of the Fund may be reduced, potentially resulting in a reduction of value of Class A Shares.
- Many of the rules normally applicable to mutual funds under relevant securities legislation and policies will not apply to the Fund. In particular, rules directed at ensuring liquidity and diversification of investments and certain other investment restrictions and practices normally applicable to mutual funds operating in Canada do not apply. The Fund will take positions in start-up, small and medium-sized businesses that represent a larger percentage of the equity than a mutual fund would be permitted to take, and this will increase the risk per investment.

Investors should consult with a professional advisor. See "Risk Factors".

Organization and Management of the Fund

Entity	Description of Services provided
Manager:	The Fund has retained B.E.S.T. Investment Counsel Limited as manager of the Fund. The Manager is located at 15 Toronto Street, Suite 400, Toronto, Ontario M5C 2E3. The Manager manages and administers the business and affairs of the Fund pursuant to the Management Agreement (as defined herein). The services of the Manager and its directors, officers, employees and agents are not exclusive to the Fund, and they may provide similar services to other parties, including services to other labour-sponsored venture capital corporations. See "Organization and Management Details of the Fund – Manager of the Fund".
Liquid Portfolio Manager:	The Manager provides liquid portfolio management services to the Fund. The fees paid by the Fund to the Manager under the Management Agreement include fees for the Manager to provide, or cause to be provided, the liquid portfolio management services. See "Organization and Management Details of the Fund – Liquid Portfolio Manager".
Sponsor:	<p>The Sponsor of the Fund is the Independent Union of Defence Contractors. The Sponsor owns the ten issued and outstanding Class B Shares of the Fund (the "Class B Shares"). The Sponsor, being the sole holder of Class B Shares, must elect a majority of the directors, specifically, that number of directors representing the total number of directors less the number of directors that the holders of Class A Shares are entitled to elect as a class. The Fund currently has four directors and accordingly, the Sponsor is currently entitled to elect three of such directors.</p> <p>While members of the Sponsor may subscribe for Class A Shares, neither the Sponsor nor its members are required to make any investment in the Fund. Individuals investing in Class A Shares need not be members of or have any connection with the Sponsor. See "Organization and Management Details of the Fund – Sponsor".</p>
Administrator:	Pursuant to the Administration Agreement (as defined herein), the Administrator, Talvest (LSVC) Inc., provides, or causes to be provided, certain services to the Fund including general administrative and accounting services, acting as registrar and transfer agent of the Class A Shares, communicating with the Fund's shareholders and conducting the Fund's marketing activities. See "Organization and Management Details of the Fund – Administrator".
Custodian:	The Fund has retained CIBC Mellon Global Securities Services Company, 320 Bay Street, P.O. Box 1, 6 th Floor, Toronto, Ontario M5H 4A6, and certain of its affiliates to

act as custodian for the Fund's portfolio securities. The Custodian holds the portfolio securities of the Fund in safekeeping for the Fund. See "Organization and Management Details of the Fund – Custodian".

Transfer Agent and Registrar: The Administrator, Talvest (LSVC) Inc., is the registrar and transfer agent of the Class A Shares and will maintain the register of transfers of Class A Shares at its principal place of business in Montreal, Quebec. See "Organization and Management Details of the Fund – Transfer Agent and Registrar".

Auditor: The Fund has retained PricewaterhouseCoopers LLP, Toronto, Ontario as its independent auditors. See "Organization and Management Details of the Fund – Auditors".

Summary of Fees and Expenses

These tables list the fees and expenses that an investor may have to pay if the investor invests in the Fund. An investor may have to pay some of these fees and expenses directly. The Fund may have to pay some of these fees and expenses which will, therefore, reduce the value of the investor's investment in the Fund.

Fees and Expenses payable by the Fund

Type of Fee

Amount and Description

Management and Administration Fees (Annually): The Fund will pay fees to the Manager for the management, registrar, transfer agency, sales and marketing, fund accounting and liquid portfolio management services provided, or caused to be provided, by the Manager. The total fees for such services will equal 3% per year of the trading net asset value of the Fund, calculated and paid monthly in arrears, as well as an additional 1% per year of the trading net asset value of the Fund which will be paid to Talvest (LSVC) Inc. (the "Administrator") for services provided to the Fund, calculated daily and paid monthly in arrears.

4% of the trading net asset value

The fees of the Administrator are paid by the Manager and not by the Fund. However, the Administration Agreement provides that the Fund shall bear the costs of the development of sales, marketing and communications strategies, fund-specific promotional items and advertising costs, costs of retaining public relations consultants and of specific public relations initiatives, government relations costs, legal expenses (except the Administrator's own legal expenses) and the cost of any agreed upon budgets for cooperative initiatives that the Administrator and the Fund may launch from time to time.

See "Organization and Management Details of the Fund – Manager of the Fund", "Investment Strategies – Investment Implementation and Monitoring – Liquid Investments" and "Fees and Expenses – Fees and Expenses Payable by the Fund – Management and Administration Fees".

Performance Fee (Annually):

25% of the amount by which the net revenue from the investments in eligible businesses in each financial year exceeds a specified threshold for that financial year

In addition to the annual fee, the Manager is entitled to receive an annual performance fee equal to 25% of the amount by which the net revenue from the investment portfolio (excluding the portion of the Fund's assets invested in liquid investments) of the Fund in each financial year exceeds a specified threshold for that financial year. To the extent that the net revenue in any given year does not exceed the threshold, the amount by which the net revenue falls below the threshold will be carried forward and deducted from the net revenue in the next year.

Type of Fee**Amount and Description**

See “Organization and Management Details of the Fund – Manager of the Fund”, “Investment Strategies – Investment Implementation and Monitoring – Liquid Investments” and “Fees and Expenses – Fees and Expenses Payable by the Fund – Management and Administration Fees”.

Sponsor Fee (Annually):

0.15% of the trading net asset value up to \$105,000

The Fund will pay the Sponsor an annual fee of 0.15% of the trading net asset value of the Fund, calculated and paid monthly in arrears, to a maximum of \$105,000 per year.

Operating Expenses (As incurred):

The Fund will pay all direct costs, expenses and liabilities incurred in the operation of the Fund out of working capital, which will include income earned on investments and the shareholders’ capital of the Fund, among other things. These costs and expenses include directors’ fees, insurance, taxes, fees and other governmental charges levied against the Fund, legal, accounting, audit, brokerage, finder and custodial fees, costs of qualifying the Fund’s securities for distribution, valuation and marketing expenses, sales commissions, expenses related to portfolio transactions, security realization, borrowing costs, litigation and indemnification costs and expenses, and the fees payable to the Manager. The Fund will also pay expenses relating to the operation of the independent review committee.

See “Fees and Expenses – Fees and Expenses Payable by the Fund – Operating Expenses”.

Sales Commissions (As incurred):

Series 1 Shares: 6% of the original issue price, plus
0.50% annually of the trading net asset value of the Series 1 Shares held by the clients of the sales representatives of the registered dealers.

A sales commission of 6% of the original issue price will be paid by the Fund to registered dealers selling Series 1 Shares. A sales commission of 6% of the original issue price will be paid by the Fund to registered dealers selling Series 2 Shares plus an additional up-front commission of 5% of the original issue price in lieu of any service fees being payable before the eighth anniversary of the date of issue, resulting in an 11% initial sales commission paid to registered dealers selling Series 2 Shares.

Series 2 Shares: 11% of the original issue price.

No annual service fee is paid to registered dealers before the eighth anniversary of the date of issue of the Series 2 Shares. After the eighth anniversary of the date of issue, the Fund may pay to registered dealers annually 0.50% of the trading net asset value of the Series 2 Shares held by the clients of the sales representatives of the registered dealers.

Historically, the Fund had adopted the industry practice of amortizing the sales commission and the additional commission on a straight-line basis over a period of eight years. As a portion of the sales commission was deferred, a portion of the net asset value of the Fund was comprised of a deferred commission. As a result of changes in Canadian generally accepted accounting principles, the Fund is required to treat sales commissions as an immediate charge against its net asset value in its financial statements. For transitional purposes, the Fund was allowed by the securities regulatory authorities, for the purpose of determining the price at which shares are purchased and redeemed (the “trading net asset value per share”) to treat sales commissions paid on or after January 1, 2004 as an immediate charge but continue to defer and amortize commissions paid before January 1, 2004. In either case, investors purchasing Class A Shares will pay such sales commissions indirectly, as the Fund will pay such sales commissions using the Fund’s working capital. See “Fees and Expenses – Fees and Expenses Payable by the Fund – Treatment of Sales Commissions”.

In addition, the Fund will pay to registered dealers selling Series 1 Shares an annual service fee equal to 0.50% of the trading net asset value of the Series 1 Shares, calculated daily and paid quarterly in arrears, held by the clients of the sales representatives of the dealers. After the eighth anniversary of the date of issue of the Series 2 Shares,

Type of Fee**Amount and Description**

the Fund may pay to registered dealers selling Series 2 Shares an annual service fee equal to 0.50% of the trading net asset value of the Series 2 Shares, calculated daily and paid quarterly in arrears, held by clients of the sales representatives of the dealers. Such service fees will be paid as compensation for the expenses incurred by the dealers in communicating on an ongoing basis with their clients who are holders of Class A Shares.

See “Plan of Distribution”.

Incentives (As incurred):

The Fund may enter into cooperative advertising programs with registered dealers providing for the reimbursement by the Fund of expenses incurred by the registered dealers in promoting sales of Class A Shares. See “Plan of Distribution”.

Fees and Expenses Payable Directly by an Investor**Type of Fee****Amount and Description*****Sales Charge:***

Nil

Service Fee:

Nil

Transfer Fee:

Nil

RRSP Fee:

There is currently no fee payable by investors who establish a registered retirement savings plan through CIBC Asset Management Inc. to hold Class A Shares. A fee may be implemented without prior approval on 60 days’ notice.

Early Redemption Fee:

Series 1 Shares: 6% of the proceeds of redemption in the first year following the date of issue, declining by 0.75% for each year or part year remaining until the eighth anniversary of the date of issue.

An early redemption fee is payable by purchasers of Class A Shares. In respect of the Series 1 Shares, the early redemption fee is equal to 6% of the proceeds of redemption in the first year following the date of issue and declining by 0.75% for each year or part year remaining until the eighth anniversary of the date of issue. In respect of the Series 2 Shares, the early redemption fee is equal to 11% of the proceeds of redemption in the first year following the date of issue and declining by 1.375% for each year or part year remaining until the eighth anniversary of the date of issue. See “Redemption of Securities”.

Series 2 Shares: 11% of the proceeds of redemption in the first year following the date of issue, declining by 1.375% for each year or part year remaining until the eighth anniversary of the date of issue.

Summary of Dealer Compensation***Sales Commissions and Incentives:***

See “Sales Commissions” and “Incentives” above.

Annual Returns and Management Expense Ratio

The table below provides the annual return and management expense ratio data for each of the past five years as disclosed in the most recently filed annual management report of fund performance of the Fund.

	2008	2007	2006	2005	2004
Annual Returns⁽¹⁾	(53.69%) for Series 1 Shares, (53.55%) for Series 2 Shares	(11.43%) for Series 1 Shares, (11.18%) for Series 2 Shares	(13.14%) for Series 1 Shares, (13.29%) for Series 2 Shares	(4.65%) for Series 1 Shares, (5.77%) for Series 2 Shares	(0.84%) for Series 1 Shares, (5.21%) for Series 2 Shares
MER⁽²⁾	7.38% (7.41%) for Series 1 Shares, 6.88% (6.96%) for Series 2 Shares	6.69% (6.78%) for Series 1 Shares, 6.19% (6.28%) for Series 2 Shares	6.13% (6.33%) for Series 1 Shares, 5.64% (6.21%) for Series 2 Shares	6.53% (7.19%) for Series 1 Shares, 6.12% (8.17%) for Series 2 Shares	6.10% (10.10%) for Series 1 Shares, 6.08% (14.18%) for Series 2 Shares

Notes:

- (1) This information shows the annual rate of return for each series of Class A Shares calculated as of August 31 of each year. How the Fund has performed in the past does not necessarily indicate how it will perform in the future. From the date of inception for each series of Class A Shares, the rate of return as of August 31, 2008 is (12.79%) (Series 1) and (18.06%) (Series 2).
- (2) MER means management expense ratio. The Management Expense Ratio (“MER”) is based on total expenses and includes three components: (i) the “operating” costs of the Fund, (ii) the performance fees of the Fund, and (iii) the commissions paid to dealers on the sale of Class A Shares. The information shows the “operating” MERs of the Fund (and in brackets are the MERs including the performance fees and commissions paid). The MERs are expressed as an annualized percentage of daily average net assets during the fiscal year.

As discussed above, the MER for the Fund includes a performance fee expense. This provision for performance fees may increase or decrease from one year to the next in conjunction with increases or decreases in the fair value of the Fund’s investment portfolio. A change in the provision for performance fees, which increases the MER in a given year, reflects an increase in the fair value of the portfolio. No performance fees were paid to Axis Capital Corporation or the Manager in respect of the five most recent fiscal years. See “Fees and Expenses – Fees and Expenses Payable by the Fund – Operating Expenses” and “Fees and Expenses – Fees and Expenses Payable by the Fund – Management and Administration Fees”.

AXIS INVESTMENT FUND INC.

OVERVIEW OF THE STRUCTURE OF THE FUND

Axis Investment Fund Inc. (the “Fund”) was incorporated under the laws of Canada by articles of incorporation dated October 29, 2001, as amended on October 4, 2002, to redesignate class A shares (the “Class A Shares”) as being issuable in series, to create and designate two series (the “Series 1 Shares” and the “Series 2 Shares”) and to convert Class A Shares outstanding at that time into Series 1 Shares, and further amended on January 30, 2003, to remove certain transfer and redemption restrictions. The head office of the Fund is at 15 Toronto Street, Suite 400, Toronto, Ontario M5C 2E3, telephone: 1-800-795-2378, facsimile: 416-203-6630, internet: www.bestfunds.ca. Information contained on the Fund’s web site is not incorporated by reference into this prospectus.

The Fund is registered as a labour sponsored investment fund corporation under the *Community Small Business Investment Funds Act* (Ontario) (the “Ontario Act”) and, as a result of such registration, is a prescribed labour-sponsored venture capital corporation under the *Income Tax Act* (Canada) (the “Federal Act”). The Fund qualifies as a research oriented investment fund (“ROIF”) under the Ontario Act for 2008 and intends to qualify as a ROIF for 2009. Accordingly, the Fund primarily invests in “Early Stage Research Oriented Companies”, which are generally Canadian taxable corporations that incur or undertake to incur at least 50% of their expenses on “scientific research and experimental development” (as defined in the Federal Act).

Although the Fund is a mutual fund under securities legislation, some of the rules designed to protect investors who purchase securities of mutual funds do not apply to the Fund. In particular, compliance with rules directed at ensuring liquidity and diversification of investments and certain other investment restrictions and practices normally applicable to mutual funds have been waived.

INVESTMENT OBJECTIVES

The Fund makes investments in eligible businesses engaged in the information technology sector with the objective of achieving long-term capital appreciation. Prospective investments are evaluated in terms of a number of criteria, including the background of the founders and the management team; the commercial viability of the technology; the extent of proprietary intellectual property; the degree of sustainable competitive advantage; the presence of a defined path to liquidity; and the likelihood of a positive exit scenario within a reasonable timeframe.

A material change in the fundamental investment objectives will be subject to shareholder approval.

INVESTMENT STRATEGIES

The Fund’s investment activities are concentrated in the information technology sector investing particularly in small and medium-sized eligible information technology businesses. The Fund will seek to reduce the risks typically associated with investments in the sector by diversifying the Fund’s portfolio, using a disciplined investment decision process, and working with investee companies by, among other things, providing business advice and other services, aiding in the recruitment process, and helping in the process of raising additional capital.

The success of any fund is determined in large part by its ability to select appropriate investments. The Fund will seek to maximize its return on investments and thereby satisfy the Fund’s investment objectives by maintaining a rigorous evaluation and due diligence process and by structuring investments in a manner that endeavours to allow for investee companies to achieve their greatest appreciation in value and liquidity in a reasonable timeframe. In particular, the Fund will seek to invest in companies that provide immediate cost benefits to their customers and that feature vertical applications of technology that solve acute problems for companies.

Overview of the Investment Structure

The Fund will aim to structure its investments in a manner that provides an investee company with the greatest opportunity to appreciate in value while permitting shareholders to achieve liquidity within a reasonable timeframe. The Fund’s manager, B.E.S.T. Investment Counsel Limited (the “Manager”), will endeavour to source investments where the founders and employees of the investee company retain sufficient equity ownership of the company at the time of a liquidity event so as to remain motivated to increase the value of the company.

The form of the Fund’s investments will be negotiated with each particular company, taking into account the investment criteria and guidelines of the Fund, the long-term requirements of the investee company, the stage of investment,

and tax considerations. The Fund’s investments may take the form of debt (with or without conversion features), debt with warrants to acquire shares or participation in cash flow or earnings, preferred shares (with or without conversion features) or common shares. Certain investments may involve a combination of these instruments. Typically, the Fund will seek to protect invested capital through floating charge security and financial covenants (if in the form of debt), and obligations in respect of board representation and continuous financial and other disclosure, as well as share ownership arrangements (if in the form of equity).

Typical Transaction Size

The Fund’s typical investment will usually range from seed amounts of \$100,000 up to \$3 million in the first round, with further participation in subsequent financings as is deemed prudent by the board of directors of the Fund (the “Board”). The Fund will seek to structure investments in a manner in which the Fund retains the right to participate in future rounds of financing such that it may maintain its *pro rata* ownership position in the investee company. This strategy is intended to permit the Fund to obtain significant equity positions in attractive early stage technology businesses without risking disproportionate amounts of the Fund’s capital.

Participative Venture Capital Approach

Investee companies of the Fund will be aided by the Manager’s ability to add value to each investee company by, for example, participating on the board of directors, providing strategic assistance and business advice, monitoring business performance, assisting in arranging financing and the provision of professional services, and/or helping in the investee business’s recruitment efforts.

Investment Portfolio

The total cost of all securities held by the Fund on August 31, 2007 was \$12,750,596 and on August 31, 2008 was \$10,323,320. The table below indicates the cost of all securities purchased by the Fund during the fiscal year ended August 31, 2008.

Government or Government Guaranteed Securities	Short-Term Notes	Other Securities	Total
\$0	\$0	\$697,664	\$697,664

Investment Implementation and Monitoring

The Manager by contract has, subject to applicable law and the exclusive authority of the Board in respect of investment recommendations and decisions as described below, assumed responsibility for the administration of the Fund, including the establishment of investment policies, the implementation of appropriate procedures with respect to the investment process and the monitoring of investments made by the Fund.

The Board of Directors

The Board will meet periodically to receive reports from the Manager in respect of the business and affairs of the Fund, consider investment policies and procedures proposed by the Manager to the Board for approval and generally review the performance of the Manager in light of the contractual obligations of the Manager to the Fund. The Board is responsible for reviewing the analysis of eligible businesses performed by, or on behalf of, the Manager, and making investment decisions on behalf of the Fund. See “Organization and Management Details of the Fund – Officers and Directors of the Fund”.

The Manager

The Manager assists the Board in the screening of prospective investment opportunities that meet the Fund’s investment criteria, analyzes the commercial potential of the investment opportunities, including the evaluation of the technology of those businesses and, subject to the recommendation and approval of the Board, implements investment decisions made by the Board. The Manager also assists the Board in the formulation of investment policies and procedures.

The Manager, on an ongoing basis, monitors the Fund’s portfolio of investments in eligible technology businesses, which includes evaluating technological and commercial performance and other key performance indicators. In addition, where appropriate, representatives of the Manager will participate on the boards of directors of eligible technology

businesses, provide management advice and expertise, and provide assistance in the development of the businesses. See “Organization and Management Details of the Fund – Manager of the Fund”.

Liquid Investments

Pending investment in eligible technology businesses, the Fund’s assets (including funds received on the liquidation of investments) will be invested in short-term government or corporate debt obligations with a minimum credit quality rating of “A” or higher from the Canadian Bond Rating Service Inc., a subsidiary of Standard & Poor’s, a division of The McGraw-Hill Companies, Inc. or “R-1 (Mid)” or higher from the DBRS Limited or in shares listed on a prescribed stock exchange. Provided that the Fund’s independent review committee (as described herein) has approved such investments, the Fund may invest in non-government debt securities even if a person related to the Fund, or an associate or affiliate of such person, acts or has acted as an underwriter in the offering of such securities, and may purchase or sell non-government debt securities or government debt securities from or to a person related to the Fund, or an associate or affiliate of such person. The Fund may, from time to time, retain registered brokers to execute trades with respect to the liquid portfolio of the Fund. Axis Capital Corporation, the former manager, retained Absolute Private Counsel Limited as the Fund’s liquid portfolio manager. As of December 20, 2007, the Manager has provided liquid portfolio management services to the Fund. See “Organization and Management Details of the Fund – Liquid Portfolio Manager”.

Sourcing and Evaluating Investment Opportunities

The ability of the Fund to source appropriate investment opportunities is critical to its success. The Manager is primarily responsible for the Fund’s sourcing activities. The Manager, and the directors and officers of the Fund and the Manager, have access to investment opportunities, beyond direct inquiries from entrepreneurs, through a variety of different networks and contacts, including other venture capital investors throughout Canada and the United States, entrepreneurs with which the Manager has worked in the past, professional service provider firms, academics and investment dealers and financial intermediaries. The Manager intends to utilize this network in sourcing investment opportunities for the Fund.

The process of evaluating investment opportunities is inherently subjective. The Fund will consider many variables, including the following criteria, as it executes its investment strategy:

- *Management.* The management team is critical to the success of any business. The Fund will seek to invest in businesses with strong management groups that display cohesive, aggressive and driven qualities.

Private technology companies often have technological depth but lack experience in building a technology business. Where appropriate and possible, the Manager will endeavour to provide the Fund’s investee companies with access to its network of business professionals who can contribute operations and management experience in addition to intangibles such as industry referrals. The Manager will advise the investee companies with respect to alternative means to add required experience through mechanisms like industry alliances, advisory boards and partnerships that create synergies and market opportunities. In addition, the management team of the Manager anticipates adding value beyond capital investment through providing “hands-on” assistance and mentoring to the investee companies.

- *Market.* Of particular interest to the Fund are technology businesses with a focus on solving a real need within a very large and growing marketplace. When these variables are present, companies have opportunities to gain significant market presence, shorten their path to profitability, increase their valuation, and thereby increase the likelihood of a larger return on investment.
- *Barriers to Entry.* In order to maintain a competitive advantage, a prospective investee business should have features that act as barriers to a competitor entering its market. Typically, such barriers to entry include things like proprietary intellectual property, a unique understanding and experience within a market niche, or strong industry partnerships.
- *Venture Syndicate.* The Manager’s view is that investing as part of a syndicate of investors can be a positive attribute for a number of reasons. A syndicate allows the Fund to mitigate its risk as it introduces additional capital and relationships to the investee company, thereby increasing the likelihood of success. Participation with other investors in investments by the Fund may also lead to further investment opportunities for the Fund.
- *Liquidity of Investment.* Critical to achieving the Fund’s objective is planning an exit strategy that provides liquidity. This strategy starts with the selection and vetting process prior to investment by the Fund. The Manager, working with the Fund’s co-investors, other shareholders, and the management team of the business, will attempt to develop various exit strategies to maximize shareholder value. Exit strategies typically include public offering of

securities, sale to a strategic partner, sale to other shareholders, sale to management, or other public or private sale. The ability to implement an exit strategy will depend on the agreement of various parties to the terms of the exit strategy, and upon the financial condition and prospects of the business at the time of the proposed exit.

- *Growth Potential.* The Fund seeks to invest in businesses with high growth potential. As a result, the Fund seeks investee companies that are built around global business concepts, products, services or technology applications and have a clearly articulated strategy to achieve their projected growth.
- *Profitability.* Technology businesses with a reasonable, verifiable path to profitability are favoured by the Fund. As part of its due diligence process, the Manager will analyze criteria such as working capital requirements, economies of scale within the business model, market trends, and historical comparable data within the marketplace to determine if the business will be able to reach a profitable state in an appropriate timeframe.

OVERVIEW OF THE SECTORS THAT THE FUND INVESTS IN

Investment Opportunities in the Information Technology Sector

The Fund makes investments in eligible businesses engaged in the information technology sector. The information technology sector comprises the development, creation, sale and implementation of products and services involved in the transmission, storage and manipulation of information. The sector is made up of companies and individuals engaged in a diverse mix of products and services, including computer services, software, hardware, systems integration, multimedia, telecommunications, electronics and the internet.

Management of the Fund believes that information is the foundation of today's economy, and that information technology will be one of the key factors driving economic growth in the decades ahead. Information technologies are an integral part of people's lives, businesses and society. New generations of processors, new broadband and wireless networks, increasing use of the internet for commerce, and important new core technologies in hardware and software are all factors that are converging to make information technology an important investment area.

Significant Holdings in Other Entities

As at December 15, 2008, 78.9% of the Fund's net assets of \$3,967,931 consisted of investments in eligible Canadian businesses, and the remaining assets consisted of cash and marketable securities, deferred charges and other assets as set out in the Fund's financial statements which are incorporated by reference into this prospectus. The following chart sets out details regarding each of the Fund's investments in eligible Canadian businesses as at December 15, 2008.

Significant Holdings of the Fund			
NAME AND ADDRESS OF ENTITY	NATURE OF ENTITIES' PRINCIPAL BUSINESS	PERCENTAGE OF SECURITIES OF EACH CLASS OWNED BY FUND	AMOUNT INVESTED AT COST
BLUEPRINT SOFTWARE SYSTEMS INC. (formerly Sofea Inc.) 372 Bay Street Suite 1600 Toronto, ON M5H 2W9	BluePrint Software Systems Inc. has developed a communication platform that enables and improves the software development process by bridging the gap between business and IT allowing for the efficient development of software applications.	33.40% of Class B Preferred Shares	\$1,481,187
BSM TECHNOLOGIES INC. 5875 Hwy 7, Suite 200, Woodbridge, ON L4L 1T9	BSM Technologies designs, manufactures and markets a comprehensive line of automatic vehicle security and location solutions. BSM's services range from fleet management and consumer vehicle protection products, to products behind the "Bait Car" application used by law enforcement to deter vehicle theft.	2.19% of Common Shares	\$258,986

Significant Holdings of the Fund			
NAME AND ADDRESS OF ENTITY	NATURE OF ENTITIES' PRINCIPAL BUSINESS	PERCENTAGE OF SECURITIES OF EACH CLASS OWNED BY FUND	AMOUNT INVESTED AT COST
ELLIPTIC SEMICONDUCTOR INC. 308 Legget Drive Suite 202 Ottawa, ON K2K 1Y6	Elliptic Semiconductor provides semiconductor intellectual property cores and software for secure communications ranging from low power to multi-giga per second implementations.	4.08% of class A common shares 24.96% of class A preferred shares (series A-1 and series A-2)	\$1,003,978
GRANTIUM INC. (formerly Infoterra Inc.) 279 Laurier Avenue West Suite 200 Ottawa, ON K1P 5J9	Grantium Inc. provides software solutions for the improvement and control of government grant processes.	8.33% of class A preferred shares 50.00% of class B preferred shares 25.60% of common shares	\$1,193,557
GRIDIRON SOFTWARE INC. 6 Antares Drive, Phase 2 Suite 103 Ottawa, ON K2E 8A9	GridIron Software Inc., established in February 2001, develops and markets software designed to enhance workflow and performance of creative applications by leveraging a unique background in parallel computing, networking, and system optimization.	13.33% class A exchangeable shares 13.33% series A special voting shares 5.06% special voting shares 8.90% exchangeable common shares 8.90% special voting common shares 13.33% share purchase warrants	\$950,000
HYLA CYBERNETICS CORPORATION⁽¹⁾ 83 Little Bridge Street Almonte, ON K0A 1A0	Hyla Cybernetics Corporation develops enterprise software solutions to automate business processes.	21.40% of common shares and 100% of common share warrants 100% of convertible debentures	\$918,131
LIQUID COMPUTING INC. 340 Terry Fox Suite 300 Ottawa, ON K2K 3A2	Liquid Computing, Inc. builds, sells and supports the LiquidIQ® fabric computing system. This class of computing system is built to meet the needs of scalable computing users within Commercial Enterprise, Service Provider, Energy, Government, HPC and Telecom markets. LiquidIQ's objective is to deliver a set of managed high performance computing and communications resources that are fully virtualized and dynamically configurable.	2.60% of exchangeable common shares 14.19% of class A preferred shares (exchangeable) 4.92% class B preferred shares (exchangeable) 4.32% special voting shares	\$2,073,960

Significant Holdings of the Fund			
NAME AND ADDRESS OF ENTITY	NATURE OF ENTITIES' PRINCIPAL BUSINESS	PERCENTAGE OF SECURITIES OF EACH CLASS OWNED BY FUND	AMOUNT INVESTED AT COST
TRIGENCE CORPORATION 750 Palladium Drive Suite 210 Ottawa, ON K2V 1C7	Trigence provides a new approach to information technology management by encapsulating and liberating applications from underlying operating system and server-level dependencies. The application virtualization technology is intended to simplify common tasks such as migration and re-configuration, and harness heterogeneous applications into a structured, standardized environment for improved manageability.	6.40% of common shares 8.15% of class A preferred shares	\$1,519,110

Note:

(1) Hyla Cybernetics Corporation is no longer an operating business.

INVESTMENT RESTRICTIONS

Statutory Investment Restrictions

Although the Fund is a mutual fund, it is not subject to many of the rules designed to protect investors who purchase securities of mutual funds. In particular, certain of the policies applicable to the incorporation and capitalization of mutual funds, the frequency of determining trading net asset value and suspension of redemptions do not apply. In addition, the Fund is exempt from certain rules directed at ensuring liquidity and diversification of investments and certain other investment restrictions and practices, including restrictions in respect of illiquid investments, the borrowing or lending of monies or the provision of guarantees for the debts or obligations of other persons or companies. The Fund is permitted to exceed certain investment thresholds normally applicable to mutual funds.

The Fund is, however, subject to investment restrictions contained in the Ontario Act. In general, the applicable investment restrictions require that labour sponsored investment fund corporations, such as the Fund, invest in qualifying debt or shares of eligible businesses. Generally, an eligible business is a taxable Canadian corporation or a Canadian partnership that, together with related corporations or partnerships, carries on business in Canada and that, together with related corporations or partnerships, does not have more than \$50,000,000 in assets or more than 500 full-time employees, which employs at least 50% of its employees, earning at least 50% of the salaries and wages payable by it, in Ontario at the time that the investment is made.

On May 18, 2006, the Ontario government adopted a number of measures relating to the labour sponsored investment fund program, including measures that amended investment restrictions. As a result of these adopted changes, among other things, the Fund is able to make a follow-on investment in a Canadian corporation or Canadian partnership that is no longer an eligible business for the sole reason that, at the time the investment is made, the corporation or partnership has more than \$50,000,000 in assets or more than 500 full-time employees, provided that the Fund made and continues to maintain a previous investment in such entity that was, at the time the investment was made, an eligible investment under the provisions of the Ontario Act. Additionally, the Fund may now acquire an investment that is no longer an eligible investment where such investment was acquired from a labour sponsored investment fund corporation that had previously given notice to the Minister of Finance (Ontario) of its proposal to dissolve or wind-up, the disposition of the investment was undertaken in the course of and by reason of the dissolution or wind-up and the investment was an eligible investment of the other labour sponsored investment fund corporation immediately before the disposition. In addition, the restrictions on investing in listed companies and the requirement to invest a minimum level of investments in businesses with not more than \$5,000,000 in assets and 50 employees have been removed.

The Fund cannot invest more than \$20,000,000 of the total amount of money raised from the sale of its Class A Shares in any one eligible business and related businesses, an increase from the previous \$15,000,000 restriction as a result of the aforementioned amendments. When calculating this amount, 25% of any amount of debt of an eligible business guaranteed by the Fund would be counted as an investment in the eligible business.

Generally, under the Ontario Act, the Fund is permitted to hold only the following investments: (i) specified securities of eligible businesses; (ii) assets that were specified securities of eligible businesses when acquired by the Fund; and (iii) specified reserves. See “Investment Strategies – Investment Implementation and Monitoring – Liquid Investments”.

Under the Ontario Act, on December 31 of each year after 2004 and before 2013, the Fund is required to hold eligible investments that have an aggregate cost of not less than 60% of the capital raised on the issue of the Fund’s Class A Shares that remain outstanding at the end of the year and were issued before the 61st day of that year (excluding Class A Shares that have been outstanding for at least seven years and 10 months) less 20% of the capital raised on Class A Shares issued during the period beginning on the 61st day of the year preceding the applicable year and ending on the 60th day of the applicable year that are outstanding at the end of that year. This amount is further adjusted to reflect the amount of net realized losses, if any, and certain taxes and penalty amounts incurred for the year. Similar requirements apply in respect of years after 2012. Prior to the aforementioned amendments, the Fund was required to invest 70% of the capital raised in Ontario in Ontario eligible businesses within the requisite timeframes.

Certain additional restrictions are imposed on the uses that the eligible business can make of the Fund’s investment, including a restriction that the proceeds of the Fund’s investment may not be used by the eligible business to carry on business or reinvest outside Canada, or re-lend to another business.

Restrictions Applicable to Research Oriented Investment Funds

The Fund intends to qualify as a ROIF under the Ontario Act for 2009. Accordingly, along with meeting the statutory investment restrictions under the Ontario Act for labour sponsored investment fund corporations, the Fund must hold, at the end of 2008, at least 50% of the aggregate cost of its investments, measured as a percentage of capital available for investment, in eligible businesses that qualify as research businesses. The capital available for investment of the Fund is the total cost of all eligible investments and reserves held by the Fund minus 20% of the net value of the Fund’s total assets at that time. A research business is, generally, a taxable Canadian corporation or a Canadian partnership that incurs at least 50% of its total expenses during its most recent fiscal year ending before the day on which the investment was made on scientific research and experimental development expenses (as defined in the Federal Act). If the research business was established in the calendar year or in the previous calendar year or if it first began business in one of those calendar years, the research business must undertake to incur scientific research and experimental development expenses in the fiscal year in which the investment is made, or in the following fiscal year, in an amount equal to at least 50% of its total expenses for the year.

The Fund is currently in compliance with all investment restrictions contained in the Ontario Act.

Additional Investment Restrictions

In addition to the investment restrictions and requirements contained in the applicable legislation and otherwise committed to, the Fund has adopted the following investment restrictions and policies, which may be varied from time to time by the Fund if permitted by the applicable legislation:

- The Fund will not make an investment in securities of investment companies or other mutual funds, except for investments in pooled cash management funds or similar vehicles for the purposes of investment and management of the Fund’s liquid portfolio.
- The Fund will not pledge or mortgage any of its assets or borrow money, except as a temporary measure for the purpose of accommodating requests for redemption of Class A Shares while effecting an orderly liquidation of portfolio securities, provided that after giving effect to such borrowing the outstanding amount of all such borrowings does not exceed 5% of its net assets valued at market value at the time of such borrowing.
- The Fund will not lend its portfolio assets.
- The Fund will not make loans except in the ordinary course of making investments through the acquisition of debt obligations.
- The Fund will not make short sales of securities or purchase securities on margin.
- The Fund will not act as an underwriter of securities.
- The Fund will not create, issue or purchase puts, calls or combinations of puts and calls except that it may obtain options to acquire additional securities or rights to sell securities of the entities in which it invests.

- The Fund will not make an investment in securities that are not fully paid, except that the Fund may purchase or agree to purchase securities in instalments or subject to conditions, or in securities that may require the Fund to make a contribution in excess of the price of the security that is unascertained at the time of acquisition of the security.
- The Fund will not invest in mortgages unless such mortgages are secured or guaranteed by the government of Canada or any Canadian province or any agency of them, and no more than 10% of the total assets of the Fund will be invested in such mortgages.
- The Fund will not trade in commodities or commodity contracts.
- The portfolio assets of the Fund will be held in the custody of a Canadian chartered bank or a federally or provincially registered trust company.

FEES AND EXPENSES

Reference is made to the audited financial statements of the Fund as at August 31, 2008 and 2007 for the particulars of the management fees and all other fees, charges and expenses charged to the Fund.

Fees and Expenses Payable by the Fund

Management and Administration Fees

Pursuant to the amended and restated management agreement entered into by the Manager and the Fund dated December 20, 2007 (the “Management Agreement”), the Manager receives a fee for the management, registrar, transfer agency, sales and marketing, fund accounting and liquid portfolio management services it provides, or causes to be provided to the Fund. The Manager assumed the management responsibilities from Axis Capital Corporation, an affiliate of the Manager, as of December 20, 2007.

The total fees for such services will equal 3% per year of the trading net asset value of the Fund, calculated and paid monthly in arrears, as well as an additional 1% per year of the trading net asset value of the Fund which will be paid to Talvest (LSVC) Inc. (the “Administrator”) for services provided to the Fund, calculated daily and paid monthly in arrears. See “Securityholder Matters – Reporting to Securityholders” and “Investment Strategies – Investment Implementation and Monitoring – Liquid Investments”. In addition to the management fee the Manager is entitled to an annual performance fee as described below.

As at November 30, 2008, the Manager has been paid an aggregate management fee of \$37,590 in respect of the current fiscal year. Aggregate management fees paid to Axis Capital Corporation and the Manager for the fiscal year ended August 31, 2008 were cumulatively \$287,189 (\$111,959 to Axis Capital Corporation and \$175,230 to the Manager). Aggregate management fees paid to Axis Capital Corporation for the fiscal years ended August 31, 2006 and August 31, 2007 were \$452,403 and \$391,844, respectively. No annual performance fees were paid to Axis Capital Corporation or the Manager in respect of the three most recent fiscal years.

The Manager is entitled to be reimbursed for all reasonable costs and expenses incurred during the course of performing its duties under or pursuant to the Management Agreement on behalf of the Fund.

Performance Fee

In addition, the Manager is entitled to an annual performance fee equal to 25% of the amount by which the net revenue from the investment portfolio (excluding the portion of the Fund’s assets invested in liquid investments) of the Fund in each financial year exceeds a specified threshold for that financial year (which will be based on the average of the five-year government of Canada bond rate quotation on the first day of each month in the current and two immediately preceding financial years plus 3%, applied to the average carrying costs of the investment portfolio excluding the portion of the Fund’s assets invested in liquid investments). For purposes of the calculation of the net revenue, unrealized gains will not be included and unrealized losses will be included. In the case of a partial disposition of the Fund’s investment in an investee company, the net revenue will be determined using the average cost method for determining the Fund’s investment in such investee company. Net revenue is determined before expenses are paid and is not affected by whether or not the net revenue from the investment portfolio increased the trading net asset value of the Fund. To the extent that the net revenue in any given year does not exceed the threshold, then the amount by which the net revenue falls below the threshold will be carried forward and deducted from the net revenue in the next year. See “Organization and Management Details of the Fund –

Manager of the Fund – Details of the Management Agreement”, “Securityholder Matters – Reporting to Securityholders” and “Investment Strategies – Investment Implementation and Monitoring – Liquid Investments”.

The Manager considers the annual performance fee to be appropriate given the investment objectives and strategies of the Fund. The Manager believes that these fees are consistent with the fees paid by other labour sponsored funds and those used in the venture capital industry. The Fund believes that it needs to be able to offer an incentive fee arrangement similar to those of other venture capital funds in order to attract the necessary professional expertise to be able to carry out its investment operations and its mandate.

Sponsor Fee

The Fund will pay the sponsor of the Fund, Independent Union of Defence Contractors (the “Sponsor”), an annual fee of 0.15% of the trading net asset value of the Fund, calculated and paid monthly in arrears, to a maximum of \$105,000 per year.

Operating Expenses

The Fund will pay all direct costs, expenses and liabilities incurred in the operation of the Fund out of working capital, which will include income earned on investments and the shareholders’ capital of the Fund, among other things. These costs and expenses include directors’ fees, insurance, taxes, fees and other governmental charges levied against the Fund, legal, accounting, audit, brokerage, finder and custodial fees, costs of qualifying the Fund’s securities for distribution, valuation and marketing expenses, sales commissions, expenses related to portfolio transactions, security realization, borrowing costs, litigation and indemnification costs and expenses, and the fees payable to the Manager. See “Organization and Management Details of the Fund – Manager of the Fund – Details of the Management Agreement”, “Securityholder Matters – Reporting to Securityholders” and “Exemptions and Approvals”.

The Fund will bear expenses relating to the operation of an independent review committee (as described herein) as required to comply with the requirements of NI 81-107 (as defined below) and will also pay the reasonable fees and expenses of members of the independent review committee. See “Organization and Management Details of the Fund – Independent Review Committee”.

The nature of the investments to be made by the Fund requires a greater commitment to investment analysis, due diligence investigations and post-investment monitoring than investments in most other securities. In addition, the cost to determine the value of the Fund’s assets for which no published market exists will be greater than valuation costs for mutual funds that invest primarily in listed securities. Consequently, the operating expenses of the Fund will be substantially higher than those of many mutual funds and other pooled investment vehicles.

Sales Commissions

A sales commission of 6% of the original issue price of the Series 1 Shares will be paid by the Fund to registered dealers selling Series 1 Shares. A sales commission of 6% of the original issue price of the Series 2 Shares will be paid by the Fund to registered dealers selling Series 2 Shares plus an additional up-front commission of 5% of the original issue price in lieu of any service fees being payable before the eighth anniversary of the date of issue, resulting in an 11% initial sales commission paid to registered dealers selling Series 2 Shares.

In addition, the Fund will pay to registered dealers selling Series 1 Shares an annual service fee equal to 0.50% of the trading net asset value of the Series 1 Shares, calculated daily and paid quarterly in arrears, held by the clients of the sales representatives of the dealers. After the eighth anniversary of the date of issue of the Series 2 Shares, the Fund may pay to registered dealers selling Series 2 Shares an annual service fee equal to 0.50% of the trading net asset value of the Series 2 Shares, calculated daily and paid quarterly in arrears, held by clients of the sales representatives of the dealers. Such service fees will be paid as compensation for the expenses incurred by the dealers in communicating on an ongoing basis with their clients who are holders of Class A Shares. See “Plan of Distribution”.

Treatment of Sales Commissions

Historically, the Fund had adopted the industry practice of amortizing the 6% sales commission paid on sales of Class A Shares against retained earnings, and the 5% additional commission paid on sales of Series 2 Shares against income on a straight-line basis over a period of eight years. As a portion of the sales commission was deferred, a portion of the net asset value of the Fund was comprised of a deferred commission. As a result of changes in Canadian generally accepted accounting principles (“GAAP”) with respect to the financial statements of labour sponsored investment funds, on or after

October 1, 2003, the Fund could no longer use the deferral and amortization method in respect of the recording of sales commissions. Rather, the Fund is required to treat sales commissions as an immediate charge against its net asset value in its financial statements. For transitional purposes, the Fund was allowed by the securities regulatory authorities, for the purpose of determining the price at which shares are purchased and redeemed (the “trading net asset value per share”) to treat sales commissions paid on or after January 1, 2004 as an immediate charge but continue to defer and amortize commissions paid before January 1, 2004. In either case, investors purchasing Class A Shares will pay such sales commissions indirectly, as the Fund will pay such sales commissions using the Fund’s working capital.

The Fund has complied with these GAAP requirements in respect of its financial statements for its current financial year and intends to comply in all future financial years, and will rely on the notice of the securities regulatory authorities in Ontario for determining the price at which the Class A Shares are purchased and sold. Further, there will be differences between the trading net asset value of the Class A Shares and the net asset value of the Class A Shares for purposes of the Fund’s financial statements as described under “Calculation of Net Asset Value”.

Incentives

The Fund may enter into cooperative advertising programs with registered dealers providing for the reimbursement by the Fund of expenses incurred by the registered dealers in promoting sales of Class A Shares. See “Plan of Distribution”.

Fees and Expenses Payable Directly by an Investor

There is currently no sales charge, service fee or transfer fee payable by investors in the Fund.

Registered Retirement Savings Plan Fee

There is currently no fee payable by investors who establish a registered retirement savings plan (“RRSP”) through CIBC Asset Management Inc. to hold Class A Shares. A fee may be implemented without prior approval on 60 days’ notice.

Early Redemption Fee

An early redemption fee is payable by purchasers of Class A Shares. In respect of the Series 1 Shares, the early redemption fee is equal to 6% of the proceeds of redemption in the first year following the date of issue and declining by 0.75% for each year or part year remaining until the eighth anniversary of the date of issue. In respect of the Series 2 Shares, the early redemption fee is equal to 11% of the proceeds of redemption in the first year following the date of issue and declining by 1.375% for each year or part year remaining until the eighth anniversary of the date of issue. See “Redemption of Securities”.

Summary of Dealer Compensation

See “Fees and Expenses – Fees and Expenses Payable by the Fund – Sales Commissions” and “Fees and Expenses – Fees and Expenses Payable by the Fund – Incentives”.

ANNUAL RETURNS AND MANAGEMENT EXPENSE RATIO

The table below provides the annual return and management expense ratio data for each of the past five years as disclosed in the most recently filed annual management report of fund performance of the Fund.

	2008	2007	2006	2005	2004
Annual Returns⁽¹⁾	(53.69%) for Series 1 Shares, (53.55%) for Series 2 Shares	(11.43%) for Series 1 Shares, (11.18%) for Series 2 Shares	(13.14%) for Series 1 Shares, (13.29%) for Series 2 Shares	(4.65%) for Series 1 Shares, (5.77%) for Series 2 Shares	(0.84%) for Series 1 Shares, (5.21%) for Series 2 Shares
MER⁽²⁾	7.38% (7.41%) for Series 1 Shares, 6.88% (6.96%) for Series 2 Shares	6.69% (6.78%) for Series 1 Shares, 6.19% (6.28%) for Series 2 Shares	6.13% (6.33%) for Series 1 Shares, 5.64% (6.21%) for Series 2 Shares	6.53% (7.19%) for Series 1 Shares, 6.12% (8.17%) for Series 2 Shares	6.10% (10.10%) for Series 1 Shares, 6.08% (14.18%) for Series 2 Shares

Notes:

- (1) This information shows the annual rate of return for each series of Class A Shares calculated as of August 31st of each year. How the Fund has performed in the past does not necessarily indicate how it will perform in the future. From the date of inception for each series of Class A Shares, the rate of return as of August 31, 2008 is (12.79%) (Series 1) and (18.06%) (Series 2).
- (2) MER means management expense ratio. The Management Expense Ratio (“MER”) is based on total expenses and includes three components: (i) the “operating” costs of the Fund, (ii) the performance fees of the Fund, and (iii) the commissions paid to dealers on the sale of Class A Shares. The information shows the “operating” MERs of the Fund (and in brackets are the MERs including the performance fees and commissions paid). The MERs are expressed as an annualized percentage of daily average net assets during the fiscal year.

As discussed above, the MER for the Fund includes a performance fee expense. This provision for performance fees may increase or decrease from one year to the next in conjunction with increases or decreases in the fair value of the Fund’s investment portfolio. A change in the provision for performance fees, which increases the MER in a given year, reflects an increase in the fair value of the portfolio. No performance fees were paid to Axis Capital Corporation or the Manager in respect of the five most recent fiscal years. See “Fees and Expenses – Fees and Expenses Payable by the Fund – Operating Expenses” and “Fees and Expenses – Fees and Expenses Payable by the Fund – Management and Administration Fees”.

RISK FACTORS

The following may be considered as risk factors pertaining to an investment in Class A Shares.

No Guaranteed Rate of Return

The Class A Shares are highly speculative in nature. There is no guarantee that an investment in Class A Shares will earn a specified rate of return or any return in the short or the long-term. An investment in Class A Shares is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment. The Fund does not anticipate declaring any dividends in the foreseeable future. The Fund is suitable only for investors able to make a long-term investment.

Nature of Investment – Early Stage Focus and Long-Term Investment

The business of the Fund is to make investments in eligible early stage technology businesses. There is no assurance that sufficient suitable eligible investments in eligible technology businesses focused on by the Fund will be found to fulfill the investment objectives of the Fund. The Fund may be required to invest in eligible businesses with limited or no connection to the investment strategy in order to meet the investment requirements of the Ontario Act.

Early stage companies may lack depth of management, be unable to generate funds necessary for growth or potential development, or be developing or marketing new products or services for which markets are not yet established and may never become established. Most early stage companies have little or no operating or financial track record. In addition, early stage companies often experience higher levels of employee turnover than other companies. The success of early stage companies will depend in part on their ability to attract and retain qualified employees and their ability to preserve trade secrets and otherwise protect their intellectual property.

Investments of the kind to be made by the Fund, by their nature, involve a longer commitment than that typical for other types of investments. Many such investments require between seven to ten years in order to mature and generate the returns expected by investors. Furthermore, despite diversification of the Fund’s investment portfolio for purposes of

distributing risk, the investments of the Fund are likely to mature at different times creating an irregular pattern in the trading net asset value per Class A Share. In addition, certain of the investments may not mature and generate the returns expected, or even provide for a recoupment of the capital invested. As well, losses on unsuccessful investments are often realized before gains on successful investments are realized. See “Investment Objectives”.

Venture capital investment in eligible technology businesses according to the investment restrictions and policies applicable to the Fund requires a greater commitment to initial analysis, due diligence investigations, post-investment monitoring and support of ongoing developmental activities, relative to the amount of capital invested, than is required for investments in most other securities. In addition, the cost to determine the value of the Fund’s assets for which no published market exists will be greater than valuation costs for mutual funds that invest primarily in listed securities. Consequently, the operating expenses of the Fund will be substantially higher than those of many mutual funds and other pooled investment vehicles.

Management and Track Record

Investors will be relying upon the business judgement, expertise and integrity of the Board and the Manager and its directors and officers. There is no guarantee that the principals of the Manager and parties and persons retained by the Manager will be available throughout the life of the Fund.

Holders of Class A Shares are entitled to elect only a minority of the directors of the Fund. See “Attributes of the Securities – Class A Shares – Election of Directors”. The Sponsor will elect three of four directors of the Fund. See “Attributes of the Securities – Class B Shares – Election of Directors”.

Follow-on Financings

It is likely that investee companies will require additional financing following the investments made by the Fund in order to fully implement their business strategies. If the Fund is unable to raise additional capital after it has met the investment pacing requirements applicable to the Fund, it will be reliant upon third parties to provide such financing in order to realize on investments in investee companies. The ability of the Fund to raise additional capital is dependent upon a number of factors, including the state of the capital markets and legislative changes to the labour sponsored investment fund program.

External Factors

The trading net asset value of the Fund is based on the value of the securities and investments in the Fund’s portfolio, and therefore the value of the Class A Shares will increase or decrease with the value of such investments. The value of the securities and investments will fluctuate with general economic conditions including the level of interest rates, corporate earnings, economic activity, the Canadian dollar and other factors. The risks associated with such fluctuations may be amplified for investors as emerging businesses are often affected by external events to a greater degree than larger, more established businesses. The return realized by the Fund on the disposition of its securities in investee companies will be affected by the market for stocks in the industries in which the Fund invests at the time such Fund divests of its holdings. There can be no assurance that the current investment climate for these types of stocks will not deteriorate by the time the Fund divests of the securities held in the investee companies.

Technology Risk Factors

Many of the businesses in which the Fund will invest are developing products or services that will require significant additional development, testing and investment prior to any final commercialization and, therefore, should be considered early stage investments with greater levels of risk than investments typically made by other investment funds. There can be no assurance that such products will be successfully developed, or be capable of being produced in commercial quantities at reasonable costs, or that any such products or services will be successfully marketed. The likelihood of the long-term success of the Fund must be considered in light of the expenses, difficulties and delays frequently encountered in connection with the development of new technology, and the competitive environment of the information technology industry.

Valuations

The Fund will offer Class A Shares at the trading net asset value per Class A Share. The Fund will generally redeem Class A Shares at trading net asset value determined on the day on which the redemption request is received. These values will be determined on a daily basis based on estimates of the fair value of the Fund’s assets for which there is, in most cases,

no published market. This valuation process is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been used had a ready market existed for the investments. To the extent that these valuations are too high, new shareholder investment will provide a benefit to existing investors; similarly, to the extent these valuations are too low, existing investors will suffer a dilution in the value of their shares. The valuations that the Fund puts on its investments may not reflect the amounts for which they can actually be sold.

Lack of Liquidity

There is no formal market, such as a stock exchange, through which Class A Shares may be sold, and none is expected to develop. There are certain restrictions on the redemption of Class A Shares and the Fund will generally be required to withhold certain amounts on a redemption of Class A Shares before the eighth anniversary of when they were purchased. See “Attributes of the Securities – Description of the Securities Distributed – Class A Shares”. Consequently, holders of Class A Shares may not be able to sell their Class A Shares and Class A Shares may not be accepted as collateral for loans.

Redemptions

In any financial year the Fund will not be required to redeem Class A Shares having an aggregate redemption price exceeding 20% of the trading net asset value of the Fund as of the last day of the preceding financial year and may suspend redemptions for substantial periods of time in such circumstances. Where a redemption request is not honoured in one year, it will be made as of the first day of the next financial year of the Fund subject to the 20% limit referred to above. Although the Fund intends to maintain at all times sufficient liquid assets to honour redemption requests up to such 20% limit, it cannot guarantee that it will be able to honour all redemption requests at the time they are made. The Fund’s ability to satisfy redemption requests on an ongoing basis will be influenced by a variety of factors, including the level of redemption requests experienced by the Fund, the effect of such requests upon the liquid assets of the Fund, and the ability of the Fund to generate and retain liquid assets. The majority of the Fund’s investments are in private companies which are illiquid assets and, as such, the Fund may not be able to exit such investments on favourable terms to satisfy redemption requests.

Investment Restrictions

As a labour sponsored investment fund, the Fund is subject to investment restrictions and requirements under the Ontario Act (the “LSIF Investment Requirements”). The Fund is subject to further restrictions and requirements in order to issue its Class A shares as a ROIF (“ROIF Investment Requirements”). There is no assurance that suitable investments in eligible businesses will be found. The Fund may be subject to certain penalty taxes or have its registration revoked if it fails to meet the LSIF Investment Requirements. The Fund is currently in compliance with LSIF Investment Requirements for the 2008 calendar year. However, as of December 24, 2008, the Fund has not yet received an assessment from the Ontario Ministry of Finance as to whether it has satisfied the ROIF Investment Requirements for 2008. If the Fund does not satisfy the ROIF Investment Requirements by December 31, 2008, it may be subject to penalties and might not be permitted to issue its Class A Shares as a ROIF thereafter. The Fund intends to issue its Class A Shares as a ROIF in 2009. If the Fund were to register under the Federal Act as a labour-sponsored venture capital corporation, it would be subject to similar, and in some cases more restrictive, investment restrictions than it is currently subject to under the Ontario Act.

Penalty Taxes and Revocation of Registration

The Fund will be subject to special taxes and penalties if it does not comply with the investment requirements of the Ontario Act. The Fund’s registration may be revoked if it does not comply with the investment requirements in the Ontario Act. The investment performance of the Fund may be adversely affected if the Fund becomes subject to such special taxes and penalties or if its registration is revoked. If the Fund’s registration under the Ontario Act is revoked, persons who acquire Class A Shares after such revocation will not be eligible for the Federal Credit and Ontario Credit and the Class A Shares may cease to be a qualified investment for a trust governed by a RRSP, registered retirement income fund (“RRIF”) or tax-free savings account (“TFSA”).

Legislative and Regulatory Changes

Changes may be introduced to federal and provincial legislation, regulations or administrative practices relating to registered labour sponsored investment fund corporations and prescribed labour-sponsored venture capital corporations and related matters. If such changes are unfavourable, the Fund’s ability to attract future investment could be impaired. As a result, the availability of funds for investment by the Fund could be reduced, thereby decreasing the Fund’s ability to fulfill its investment objectives.

Elimination of the Ontario Credit

The Fund is registered as a labour sponsored investment fund under applicable legislation in Ontario, and taxpayers in Ontario who purchase Class A Shares currently receive the 20% Ontario Credit. Under the Ontario Act, the Ontario Credit will be phased out by the end of the 2011 taxation year. See “Income Tax Considerations – Taxation of Class A Shareholders – Ontario Tax Credit Available to First Purchaser”. Individuals who are issued Class A Shares after the completion of the phase out of the Ontario Credit will not be eligible for the Federal Credit in respect of such shares unless the Fund becomes registered as a labour-sponsored venture capital corporation under the Federal Act. The Fund is currently not registered as a labour-sponsored venture capital corporation under the Federal Act and there can be no assurance that the Minister of National Revenue will accept any registration application of the Fund. As a result, the Fund’s ability to attract future investment may be impaired, and the availability of funds for investment by the Fund may be reduced and liquidity of the Fund may be adversely impacted, possibly resulting in a reduction of the value of the Class A Shares.

Conflicts of Interest

The services of the Manager and its directors, officers, employees and agents are not exclusive to the Fund. The Manager and its directors and officers will be providing similar services and devoting a substantial portion of their time to other investment activities, directorships and offices. These activities and those of the affiliates and associates of the aforementioned persons may result in certain conflicts of interest. Certain conflict of interest matters relating to the operation of the Fund must be referred to the IRC by the Manager. See “Organization and Management Details of the Fund – Manager of the Fund”.

Non-Cash Distributions

Individuals holding Class A Shares otherwise than in a trust governed by a RRSP, RRIF or TFSA, assuming Class A Shares have not ceased to be qualified investments for such trusts, may be liable for the payment of tax arising on the deemed receipt by the holder of a dividend or capital gain dividend for which the holder did not receive a distribution from the Fund with which to pay such tax. See “Distribution Policy”.

Mutual Fund Rules

Although the Fund is a mutual fund, many of the rules normally applicable to mutual funds under relevant securities legislation and policies are not applicable to the Fund as a labour sponsored investment fund. In particular, rules directed at ensuring liquidity and diversification of investments and certain other investment restrictions and practices normally applicable to mutual funds operating in Canada do not apply. The Fund will take positions in start-up, small and medium-sized businesses that represent a larger percentage of the equity than a mutual fund would be permitted to take, and this will increase the risk per investment. Eligible investments will be of a relatively small size and take place at an early stage of development in comparison with the investments made by most publicly-offered mutual funds.

Different Series of Class A Shares Net Asset Values

Class A Shares are issuable in series because of the differing sales commissions, redemption fees and services fee structures. Depending upon the performance of the investment portfolio, the return achieved by each series may differ.

DISTRIBUTION POLICY

The Fund may declare such dividends on the Class A Shares and the Class C Shares (as defined herein), if any, from time to time out of funds legally available for dividends as may be appropriate. The Board does not anticipate declaring any dividends for several years from the date of first issuing Class A Shares to investors; however, the Fund anticipates that by investing in projects which earn ongoing income from operations, the Fund may be in a position to pay dividends prior to the expiry of the eight-year redemption period. Any decision as to the amounts and timing of any dividends will be at the discretion of the Board and there is no guarantee that dividends will be paid at any time or in any amount. There have been no cash dividends or other distributions made by the Fund since its inception.

The Fund intends to capitalize at least annually certain amounts of its interest and other investment income (other than dividends in respect of taxable Canadian corporations) and capital gains to the extent necessary to obtain a refund of the tax otherwise payable on its taxable capital gains and to reduce the tax otherwise payable by it on its interest and other investment income (other than dividends in respect of taxable Canadian corporations). Such capitalization will be effected by increasing the stated capital of the Class A Shares and the Class C Shares, if any, on a *pro rata* basis. If and to the extent that the Fund increases the stated capital of the Class A Shares, a holder of Class A Shares will be deemed to have received a

dividend equal to the amount of the stated capital increase in respect of his or her Class A Shares even though the holder will not receive a cash distribution from the Fund. The amount of the deemed dividend will increase the adjusted cost base of the Class A Shares to the holder. See “Income Tax Considerations – Taxation of the Fund – Dividend Refunds and Capitalization of Income”.

PURCHASE OF SECURITIES

General

Class A Shares may be purchased at the trading net asset value per share for the applicable series determined at the end of the business day on which the purchase order is received in acceptable form by the Fund, or on the following business day if received after 4:00 p.m. Toronto time or on a day that is not a business day. The term “business day” when used in this prospectus means a day other than a Saturday, a Sunday or a public holiday on which the banks are not open for business in Toronto, Ontario. Class A Shares will be issued only to individuals (other than trusts) and to certain RRSPs. The minimum initial investment in the Fund is \$1,000. All subsequent investments in the Fund must be in increments of \$500. The Fund may waive minimum initial and subsequent subscription amounts in order to accommodate pre-authorized contribution plans established by registered dealers.

All subscriptions for Class A Shares are subject to acceptance or rejection by the Fund and the right is reserved to reject any subscription. All sales of Class A Shares must be made through registered dealers. The Fund will not accept a purchase order placed directly by the investor. The decision to accept or reject any subscription for Class A Shares will be made promptly and in any event within two business days of receipt in good order of the subscription by the Fund. If a subscription for Class A Shares is rejected, all money received with the subscription will be returned immediately to the applicant.

Pending the issuance of Class A Shares, the amount of the subscription price accompanying subscriptions will be held in trust for the subscribers by the Fund. Interest earned on funds held in trust will accrue for the account of the Fund. Share certificates will not be provided except upon a request by a holder of Class A Shares and payment of a fee of \$3.00.

Although the Fund expects to continue the offering of Class A Shares at prices equal to the trading net asset value per Class A Share for the applicable series, from time to time the Fund may suspend offering Class A Shares and recommence offering Class A Shares at any time the Fund deems appropriate in its sole discretion. The Fund may suspend the offering of Class A Shares at any time when the Fund has more funds on hand than it can invest in suitable investments within a reasonable period of time and will recommence the offering at such time as sufficient investment opportunities are available.

Registered Retirement Savings Plan

Investors may arrange to purchase Class A Shares for, or transfer Class A Shares to, their own or their spouses’ self-directed RRSPs. In this prospectus, for the purposes of the Federal Act and the Federal Credit and the Ontario Act and the Ontario Credit, “spouse” includes a “common law partner” as defined in section 248(1) of the Federal Act.

Investors may establish a RRSP through CIBC Asset Management Inc., the parent corporation of the Administrator. Application forms are available from the registered dealer from whom Class A Shares are purchased. Investors are not currently charged an administration fee for a RRSP established through CIBC Asset Management Inc. However, an administration fee may be charged at any time upon 60 days’ written notice to a plan member. A \$25 fee is payable by a plan member in order to withdraw all investments from his or her RRSP. If a plan member fails to pay the fee, CIBC Asset Management Inc. is authorized to redeem a sufficient number of Class A Shares held in the plan to satisfy the outstanding fee. The value of Class A Shares so redeemed may exceed the outstanding fee if redemption fees or withholding taxes are payable as a result of early redemption. See “Attributes of the Securities – Class A Shares – Redemption by Holders” and “Income Tax Considerations – Taxation of Class A Shareholders”.

REDEMPTION OF SECURITIES

Requests for redemption of Class A Shares may be made by completing the appropriate request for redemption form. All requests for redemption must be signed by the shareholder with the signature guaranteed by a Canadian chartered bank or trust company, a member of a recognized stock exchange in Canada or a securities dealer or advisor registered under provincial securities laws. No redemption will be effected until the written request has been duly completed and delivered in good order to the Fund or a registered dealer distributing the securities, together with a duly endorsed share certificate (if any). Class A Shares will be redeemed on the basis of the trading net asset value of the Class A Shares for the applicable

series determined as at the close of business on the day on which the Fund receives the request or on the following business day if the request is received after 4:00 p.m. Toronto time or on a day that is not a business day. See “Calculation of Net Asset Value”.

There are restrictions on the redemption of Class A Shares. Except in certain special circumstances, a holder who wishes to redeem Class A Shares within eight years after the date on which such shares are issued will be subject to certain withholding taxes in respect of the Federal Credit and the Ontario Credit received on the purchase of such Class A Shares. In addition, in most cases, a holder who wishes to redeem Class A Shares within eight years after the date on which such shares are issued will be charged an early redemption fee of, in the case of Series 1 Shares, 0.75%, and in the case of Series 2 Shares, 1.375%, of the redemption amount for each year or part year remaining before the eighth anniversary of the date of issue. There is no redemption fee where the redemption occurs after the eighth anniversary of the date of issue. See “Attributes of the Securities – Class A Shares – Redemption by Holders” and “Income Tax Considerations”.

Under the Ontario Act, when determining the date on which a Class A Share that was issued in February or March is redeemed for the purpose of the tax credit recovery provisions, a redemption that occurs in February or on March 1 is deemed to occur on March 31. This measure is intended to accommodate Class A shareholders wishing to acquire new Class A Shares in the first 60 days of a year with the proceeds from the redemption of Class A Shares.

In any financial year, the Fund is not required to, but may at its option if sufficient liquid assets are available, redeem Class A Shares having an aggregate redemption price exceeding 20% of the trading net asset value of the Fund as at the last day of the preceding financial year. Requests for redemption will be accepted in the order in which they are received. Any unsatisfied redemption requests during a financial year will be honoured prior to any redemption requests submitted in a subsequent financial year.

The Fund is entitled to suspend the right of holders of Class A Shares to redeem Class A Shares and/or delay the date for payment of the redemption amount in respect of any redeemed Class A Share for the whole or any part of any period for which the consent of the Ontario Securities Commission (“OSC”) has been obtained.

INCOME TAX CONSIDERATIONS

Introduction

In the opinion of McMillan LLP, counsel to the Fund, the following is a summary of the principal Canadian federal income tax considerations and Ontario income tax considerations generally applicable to prospective purchasers of Class A Shares pursuant to this prospectus who (a) for the purposes of the Federal Act and the *Income Tax Act* (Ontario) and the *Taxation Act, 2007* (Ontario) (collectively, the “Ontario Tax Acts”) are individuals (other than trusts) resident in Ontario (“Ontario Residents”), hold their Class A Shares as capital property and deal at arm’s length with and are not affiliated with the Fund, (b) are RRSPs, the annuitants of which are Ontario Residents or (c) are TFSAs, the holders of which are Ontario Residents. 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 upon the current provisions of the Federal Act, the Ontario Tax Acts, the Regulations under the Federal Act and the Ontario Tax Acts (the “Regulations”), the Ontario Act, counsel’s understanding of the current administrative and assessing practices published by the Canada Revenue Agency (the “CRA”) and the Minister of Finance (Ontario). This summary takes into account any specific proposals (“Tax Proposals”) for amendments to the Federal Act, the Ontario Act and the Ontario Tax Acts and the Regulations announced prior to the date hereof, but does not take into account or anticipate any other changes in law, whether by judicial, governmental or legislative action and this summary does not take into account foreign income tax legislation or considerations. There can be no assurances that Tax Proposals will be enacted as proposed.

This summary is of a general nature only and is not exhaustive of all possible federal and provincial income tax considerations. This summary is not intended to be, nor should it be construed to be, legal or tax advice to any particular purchaser. Therefore, prospective purchasers of Class A Shares should consult their own tax advisors with respect to their individual circumstances.

The Fund is registered as a labour sponsored investment fund under the Ontario Act and, as a result of such registration, is a prescribed labour-sponsored venture capital corporation under the Federal Act. The Fund qualifies as a ROIF under the Ontario Act for 2008 and intends to qualify as a ROIF for 2009. This summary assumes that the Fund will be so registered and will so qualify at the time Class A Shares are purchased and will continue to be so registered and to so qualify thereafter.

Status of the Investment Fund

The Fund is registered as a labour sponsored investment fund under the Ontario Act and, as a result of such registration, is a prescribed labour-sponsored venture capital corporation under the Federal Act. The Fund intends to qualify as a ROIF under the Ontario Act for 2009. As such, subject to the qualifications discussed under “Eligibility for Investment”, Class A Shares are qualified investments for trusts governed by RRSPs, RRIFs and TFSAs.

Taxation of the Fund

Federal Taxation of the Fund

The Fund is a “private corporation” and, as a prescribed labour-sponsored venture capital corporation, will be a “mutual fund corporation” for the purposes of the Federal Act. As a corporation resident in Canada, the Fund is required to calculate its income or loss for each taxation year, file income tax returns and is subject to federal tax at normal corporate rates.

Provincial or Territorial Taxation of the Fund

Counsel has been advised by management of the Fund that the Fund does not intend at this time to carry on business through a permanent establishment in any province other than the province of Ontario. In such a case, for provincial tax purposes, all of the Fund’s income will be attributable to, and taxable in, the province of Ontario. The taxation of the Fund under the *Corporations Tax Act* (Ontario) and the *Taxation Act, 2007* (Ontario) will generally parallel the taxation of the Fund under the Federal Act.

Dividends

Any dividends received by the Fund from taxable Canadian corporations will generally not be subject to tax.

Capital Gains and Losses

Counsel has been informed by the Fund that each of the Fund’s “Canadian securities” (as defined in the Federal Act) will be treated as capital property pursuant to an election made by the Fund under the Federal Act. Such election will ensure that gains or losses realized by the Fund on the sale of Canadian securities are treated as capital gains or capital losses.

When the Fund sells, or otherwise disposes of a capital property, the proceeds of disposition will be characterized as a capital gain to the extent that such proceeds exceed the aggregate of the Fund’s adjusted cost base of the property and the Fund’s reasonable costs of disposition. If the proceeds of disposition are less than this aggregate amount, a capital loss will result. In certain circumstances, such a capital loss which arises in respect of a share disposed of by the Fund may be reduced by the amount of any dividends, including deemed dividends, which have been received by the Fund on such a share.

One-half of any realized capital gain or capital loss will be the Fund’s taxable capital gain or allowable capital loss, as the case may be. The Fund’s taxable capital gains for a year, net of any allowable capital losses, will be included in computing the Fund’s income for tax purposes. Allowable capital losses of the Fund may be deducted only against taxable capital gains arising in the year, or a preceding or future year (in accordance with rules contained in the Federal Act).

As a corporation that is a mutual fund corporation for income tax purposes, the Fund will generally be entitled to refunds in accordance with the provisions of the Federal Act on a formula basis with respect to tax paid by it on net taxable capital gains to the extent that it pays or is deemed to have paid capital gains dividends or redeems Class A Shares.

Interest and Other Investment Income

Interest and investment income, other than dividends in respect of shares of taxable Canadian corporations, will be included, net of expenses, in calculating the Fund’s income subject to tax. The Fund will be eligible for a refund of a portion of the tax paid by it on such income determined in accordance with the detailed rules in the Federal Act, to the extent that it pays or is deemed to have paid taxable dividends to its shareholders.

Dividend Refunds and Capitalization of Income

Counsel has been advised by the Fund that it has made appropriate elections under the Federal Act to enable it to capitalize, on a periodic basis, sufficient amounts of its capital gains and interest and other investment income (other than dividends in respect of shares of taxable Canadian corporations) in order to minimize taxes payable by the Fund. Such

capitalization will be effected by way of an increase in the stated capital of the Class A Shares on a *pro rata* basis. In such a case, the Fund will be deemed to have paid a dividend on its then issued and outstanding Class A Shares equal to the amount added to the stated capital of the Class A Shares and each holder of Class A Shares will be deemed to have received a dividend, or if the Fund so elects, a capital gains dividend, equal to the holder's proportionate share thereof even though the holder will not receive a cash distribution from the Fund. The adjusted cost base of the holder's Class A Shares will be increased by the amount of the deemed dividend.

In the case of a deemed capital gains dividend, one-half of such amounts will be included in the holder's income as a taxable capital gain for the purposes of the Federal Act. If the Fund does not designate a deemed dividend as a capital gains dividend, the amount of the deemed dividend will be included in the holder's income as an ordinary dividend and will be subject to the gross-up and dividend tax credit rules in the Federal Act. See "Tax Implications of the Fund's Distribution Policy" below.

A holder of a Class A Share will not receive any cash distribution in respect of a deemed dividend or a deemed capital gains dividend. The amount of any deemed dividend or deemed capital gains dividend resulting from an increase in the paid-up capital of the Class A Shares will entitle the Fund to a refund of tax otherwise payable on its interest and other investment income (other than dividends in respect of shares of taxable Canadian corporations) or realized capital gains, as the case may be. See "Capital Gains and Losses" and "Interest and Other Investment Income" above.

Penalty Taxes Potentially Applicable to the Fund

Ontario Penalty Taxes

The Fund will be subject to a penalty tax under the Ontario Act if it fails to maintain above a minimum level its investments in eligible Ontario businesses ("minimum eligible investments requirements"). For a summary of investment requirements see "Investment Restrictions". If the Fund is not in compliance with these investment requirements, the Minister of Finance (Ontario) may stop issuing or order the Fund to stop issuing tax credit certificates, until the Fund provides proof to the satisfaction of the Minister of Finance (Ontario) that the Fund is in compliance with these investment requirements. If, at the end of a particular calendar year, the Fund does not satisfy the minimum eligible investment requirements, it is required to pay a penalty tax in respect of that calendar year equal to the amount by which (i) 15% of the amount by which the Fund's equity capital received on the issue of its Class A Shares that is required to be maintained in eligible businesses in Ontario as of the end of the calendar year exceeds (ii) the cost to the Fund of its investments in eligible businesses in Ontario at the end of such calendar year exceeds the amount of any such penalty tax paid by the Fund in any prior year (other than certain amounts) that has not been rebated to the Fund. The Fund may be entitled to a rebate of this Ontario penalty tax if the Fund is able to demonstrate subsequent compliance with the investment requirements in the manner prescribed in the Ontario Act. The Fund's registration may be revoked if it fails to meet the investment requirements. The Minister of Finance (Ontario) may order the Fund to pay a penalty if it issues Class A Shares while it is not in compliance with the minimum eligible investments requirements, and the amount of the penalty would be 40% of the equity capital received in respect of the issue of Class A Shares during the time the Fund was not in compliance, unless it is not a ROIF, in which case the penalty would be 30%. In addition, if the Fund fails to meet the requirements imposed by the Ontario Act for qualification as a ROIF during a calendar year, the Fund may be required to pay a penalty tax equal to 10% of the value received on the issuance of Class A Shares during such year to the Minister of Finance (Ontario).

Federal Penalty Taxes

Under the Federal Act, if the Fund is required to pay an Ontario penalty tax for failure to meet the investment requirements outlined above, it will also be subject to a federal penalty tax under the Federal Act in the same amount. If the Fund subsequently qualifies for a refund of the penalty tax payable under the Ontario Act, the Fund will be entitled to a credit against tax payable by it under the Federal Act of an amount equal to the refund received by it under the Ontario Act.

Revocation of Registration under the Ontario Act

The Minister of Finance (Ontario) may revoke the registration of the Fund under the Ontario Act if the Fund:

- does not comply with the restrictions in its articles relating to redemptions, retractions and transfers of Class A Shares;
- does not comply with the investment requirements applicable to labour sponsored investment fund corporations;
- does not comply with the requirements of the Ontario Act, or the regulations thereunder; or

- in the opinion of the Minister of Finance (Ontario) is conducting its business or affairs in a manner contrary to the spirit and intent of the Ontario Act.

If the Ontario registration of the Fund is revoked, the Fund must pay to the Minister of Finance (Ontario) an amount equal to 15% of the equity capital received by the Fund in respect of all outstanding Class A Shares that were issued and paid for in the eight years immediately preceding the date of the revocation of the registration. If the fair market value of such shares on the date of revocation is less than the actual issue price of the shares, the amount to be paid by the Fund is reduced to 15% of the fair market value of such outstanding Class A Shares. Where the Fund's registration is revoked under the Ontario Act and as a result the Fund becomes liable to pay the amount described above under the Ontario Act, the Fund will also be liable to pay a similar tax under the Federal Act.

The Minister of Finance (Ontario) must give notice to the Fund of any proposal to revoke the Fund's registration. The Fund would have an opportunity, within 60 days of the notice of proposal, to correct any default and to appeal any revocation of its registration. Investments in Class A Shares made after the revocation of the Fund's Ontario registration will not entitle purchasers to receive Ontario tax credits.

Taxation of Class A Shareholders

The Ontario tax treatment of an individual holder of a Class A Share will generally be analogous to the individual's tax treatment under the Federal Act.

Federal Tax Credit Available to First Purchaser

An individual (other than a trust) who is the first person to be the registered holder of Class A Shares will be eligible for a federal non-refundable labour-sponsored venture capital fund tax credit (the "Federal Credit") in an amount equal to 15% of the individual's net cost of the Class A Shares to a maximum credit of \$750 per year (based on an investment of \$5,000). Generally, an individual's net cost of Class A Shares is the price paid in respect of the subscription for, or the acquisition of, the Class A Shares. The amount of the Federal Credit or any Ontario Credit does not reduce the net cost of the Class A Shares to the holder but any capital loss realized on a disposition of Class A Shares will be reduced by the amount of the tax credits. An individual will be eligible for an annual maximum Federal Credit of \$750 (based on a \$5,000 investment) in respect of his or her aggregate purchases of Class A Shares and any other shares of prescribed labour-sponsored venture capital corporations.

An individual is also eligible for the Federal Credit under certain circumstances where the purchaser of the Class A Shares is a RRSP of which the individual or his or her spouse is the annuitant or, if and when permitted, is a TFSA of which the individual is the holder.

The Federal Credit may be deducted from an individual's tax payable only in respect of the calendar year in which the Class A Shares are irrevocably subscribed and paid for, unless the Class A Shares are subscribed for or acquired in the first 60 days of a calendar year, in which case the Federal Credit may, at the individual's option, be deducted from the tax payable in respect of the preceding calendar year. The Federal Credit is not refundable to the extent that it exceeds an individual's tax otherwise payable and is not transferable by the individual. To be eligible for the Federal Credit, an individual must file with his or her tax return the information return issued by the Fund in respect of the acquisition of the Class A Shares.

Individuals who are issued Class A Shares after the completion of the phase out of the Ontario Credit (described below) will not be eligible for the Federal Credit in respect of such shares unless the Fund becomes registered as a labour-sponsored venture capital corporation under the Federal Act.

Ontario Tax Credit Available to First Purchaser

Under the Ontario Tax Acts, an individual resident in Ontario (other than a trust) or otherwise subject to tax in Ontario who is the first person to be the registered holder of Class A Shares is eligible for a non-refundable tax credit equal to 15% of the net cost of the Class A Shares (the "Ontario LSIF Credit") plus a non-refundable tax credit equal to 5% of the net cost of the Class A Shares (the "ROIF Credit") for an aggregate credit of 20% of the net cost of the Class A Shares (the "Ontario Credit") to a maximum credit of \$1,500 per year based on an investment of \$7,500. An individual will be eligible for an annual maximum Ontario credit of \$1,500 (based on a \$7,500 investment) in respect of the individual's aggregate purchases of Class A Shares issued by labour sponsored investment fund corporations. Starting in the 2009 taxation year, an individual must be resident in Ontario on the last day of the taxation year to claim the Ontario Credit.

In addition, an individual will be eligible to claim the Ontario Credit where a RRSP under which the individual or his or her spouse is the annuitant or, if and when permitted, a TFSA under which the individual is the holder, purchases the Class A Shares. This is consistent with the treatment under the Federal Act.

To be eligible for the Ontario Credit, an individual must file with his or her tax return the tax credit certificates issued to him or her in respect of the acquisition of Class A Shares. The Ontario Credit may be deducted from an individual's tax payable only in respect of the calendar year in which Class A Shares are acquired, unless the Class A Shares are acquired in the first 60 days of the calendar year, in which case the Ontario Credit may, at the individual's option, be deducted from the tax payable in respect of the preceding calendar year. The Ontario Credit is not refundable to the extent that it exceeds an individual's tax otherwise payable and is not transferable by the individual.

The Ontario Credit will not be available beyond the 2012 RRSP season. The Ontario Credit is 20% for the 2008 and 2009 taxation years, 15% for the 2010 taxation year and 10% for the 2011 taxation year and after the 2011 taxation year no Ontario Credit will be available. Accordingly, the maximum Ontario Credit for the 2008 and 2009 taxation years will be \$1,500, the maximum Ontario Credit for the 2010 taxation year will be \$1,125 and the maximum Ontario Credit for the 2011 taxation year will be \$750 (in each case based on an annual investment of \$7,500). Individuals who are issued Class A Shares after the completion of the phase out of the Ontario Credit will not be eligible for the Federal Credit in respect of such shares unless the Fund becomes registered as a labour-sponsored venture capital corporation under the Federal Act.

Disposition of Class A Shares

In general, a disposition or a deemed disposition of a Class A Share will give rise to a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition of the Class A Share, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Class A Share to the holder thereof. In calculating a holder's gain or loss, the cost to the holder of a particular Class A Share will be determined by averaging the cost of that Class A Share with the adjusted cost base of all Class A Shares held as capital property at that time by the holder. A holder's adjusted cost base of a Class A Share will be increased by the amount of any deemed dividend or deemed capital gains dividend on such share arising as a result of the capitalization of income described under the heading "Taxation of the Fund – Dividend Refunds and Capitalization of Income" above. The Federal Credit and the Ontario Credit will not reduce the adjusted cost base of the Class A Shares.

A capital loss that would otherwise arise on the disposition or deemed disposition of a Class A Share will be reduced by the amount of the Federal Credit and the Ontario Credit received in respect of the Class A Share by the holder of the Class A Share (or by a person with whom the holder does not deal at arm's length) to the extent that the amount of such tax credits has not previously reduced a capital loss in respect of the Class A Share.

Any capital loss realized by a holder of Class A Shares on the sale or transfer of Class A Shares to his or her TFSA, to a RRSP under which the holder or the holder's spouse is the annuitant, or to a RRIF under which the holder is the annuitant, will generally be deemed to be nil.

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 for a year (computed as noted above) in excess of taxable capital gains for that year may generally be carried back three years and carried forward indefinitely for deduction against taxable capital gains realized in those years, subject to the detailed rules in the Federal Act.

A holder of a Class A Share which is a RRSP, RRIF or TFSA is exempt from tax on the amount of any capital gain realized on the disposition of a Class A Share so long as the Class A Share is a qualified investment for the RRSP, RRIF or TFSA. See "Taxation of Registered Plans".

Redemption of Class A Shares

On the redemption of a Class A Share, the redemption amount will be treated as proceeds of disposition of the Class A Share and the holder thereof will be deemed to have realized a capital gain (or capital loss) equal to the amount by which the redemption amount, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Class A Share to the holder thereof. Generally, the Fund will be required to withhold amounts where Class A Shares are redeemed within eight years of the date of subscription in an amount equal to the Federal Credit and the Ontario Credit received on the purchase of such Class A Shares. See "Attributes of the Securities – Class A Shares – Redemption by Holders". On a redemption of a Class A Share within eight years, the proceeds of disposition will be considered to include

any amount required to be withheld from the redemption amount and paid to the provincial or federal authorities as a return of tax credits. See “Disposition of Class A Shares” above.

A holder of a Class A Share which is a RRSP, RRIF or TFSA is exempt from tax on the amount of any capital gain realized on the redemption of a Class A Share so long as the Class A Share is a qualified investment for the RRSP, RRIF or TFSA. See “Taxation of Registered Plans”

Minimum Tax

Taxable dividends (without application of the dividend gross-up) and capital gains dividends received, or deemed to be received from the Fund and capital gains realized on the disposition of Class A Shares may increase a holder’s liability for alternative minimum tax. The Federal Credit may not be applied to reduce a holder’s liability for alternative minimum tax.

Taxation of Registered Plans

Transfer of Class A Shares to and Holding Class A Shares through RRSPs, RRIFs and TFSAs

The following is subject to the limitations and qualifications set out under “Eligibility for Investment”.

An individual who acquires Class A Shares may transfer the Class A Shares to a RRSP under which the individual or his or her spouse is the annuitant. On the transfer of Class A Shares to a RRSP, the holder of the Class A Shares will be deemed to have disposed of the Class A Shares and to have received proceeds of disposition equal to the fair market value of the Class A Shares at the date of transfer. If the fair market value of the Class A Shares is greater than the individual’s adjusted cost base of the Class A Shares, the excess will be the holder’s capital gain. If the fair market value of the Class A Shares is less than the individual’s adjusted cost base of the Class A Shares, any resulting capital loss will be deemed to be nil. See “Disposition of Class A Shares” above. The individual may be eligible to treat an amount equal to the fair market value of the Class A Shares at the time of the transfer as a deductible contribution to the RRSP, subject to the contribution limits in the Federal Act. The determination of the fair market value of Class A Shares is a factual matter. In assessing the income tax return of an individual who has made such a transfer, the CRA has the right to review the fair market value of a Class A Share.

Contributions to RRSPs are deductible in accordance with the provisions of the Federal Act which place limits on the annual amount of deductible RRSP contributions. This deduction is in addition to the Federal Credit. Generally, for any year, an individual may deduct a RRSP contribution that does not exceed the amount by which the lesser of the RRSP dollar limit for the year and 18% of his or her earned income (as defined in the Federal Act) for the immediately preceding year exceeds the value of his or her pension or deferred profit sharing plan benefits determined in accordance with the Federal Act. For 2008, the RRSP dollar limit is \$20,000 and for 2009 it is \$21,000. Unused RRSP deduction room for 1991 and subsequent years can be carried forward to increase the amount of an individual’s deductible contribution to a RRSP.

In addition, an individual who acquires Class A Shares, or a RRSP under which the individual or his or her spouse is the annuitant which acquires Class A Shares, may transfer the Class A Shares to a RRIF under which the individual or his or her spouse is the annuitant or the individual may transfer the Class A Shares to a TFSA under which the individual is the holder. There is no tax deduction available for transfers of property from an individual to a RRIF or TFSA. An individual who makes such a transfer of Class A Shares will be deemed to have disposed of the Class A Shares and to have received proceeds of disposition equal to the fair market value of the Class A Shares on the date of transfer. If the fair market value of the Class A Shares is greater than the individual’s adjusted cost base of the Class A Shares, the excess will be the holder’s capital gain. If the fair market value of the Class A Shares is less than the individual’s adjusted cost base of the Class A Shares, any resulting capital loss will generally be denied. See “Disposition of Class A Shares” above. The determination of the fair market value of the Class A Shares is a factual matter. In assessing the income tax return of an individual who has made such a transfer, the CRA has the right to review the fair market value of the Class A Shares. Where such a transfer is made by a RRSP, generally no tax consequences will ensue as rules in the Federal Act permit tax sheltered contributions of property to a RRIF from RRSPs.

A RRIF is not permitted to directly subscribe for Class A Shares. While under the TFSA Amendments, if re-introduced in Parliament and enacted in substantially the same form, a TFSA will be permitted to directly subscribe for Class A Shares for purposes of the Federal Act, it is unclear whether the TFSA Amendments would allow TFSAs to be issued Class A Shares for purposes of the Ontario Act. Counsel has sought clarification from the Ministry of Finance (Ontario) in this regard. The Fund has informed counsel that it will not issue Class A Shares to TFSAs unless and until both the TFSA Amendments (or similar amendments) are enacted and effective and the Fund is reasonably satisfied that TFSAs can be issued Class A Shares for purposes of the Ontario Act.

A holder of a Class A Share which is a RRSP, a RRIF or, provided that the Class A Share continues to be a qualified investment for a TFSA, a TFSA, will be exempt from tax on the amount of any dividends received from the Fund (including deemed dividends and capital gains dividends) as well as tax on the amount of any gains arising on a disposition of the Class A Share. Moreover, the alternative minimum tax under the Federal Act does not apply to such RRSPs, RRIFs and TFSAs.

If Class A Shares are held in a TFSA and subsequently cease to be a qualified investment for the TFSA, the holder of the TFSA will be subject to a tax equal to 50% of the fair market value of the Class A Shares at the time they ceased to be a qualified investment. However, if the holder disposes of the Class A Shares before the end of the year following the year in which the Class A Shares ceased to be a qualified investment, the holder will generally be entitled to a refund of the tax in the year of disposition.

Tax Implications of the Fund’s Distribution Policy

Dividends

Dividends (other than capital gains dividends) on Class A Shares received or deemed to be received by an individual will be included in computing the individual’s income subject to the gross-up and dividend tax credit rules in the Federal Act applicable to dividends from taxable Canadian corporations. The amount of a capital gains dividend received or deemed to be received by an individual who holds Class A Shares will be deemed to be a capital gain of the holder from a disposition of capital property for the year in which the dividend is received. One-half of the amount of a capital gains dividend will be included in the holder’s income as a taxable capital gain.

If and to the extent that the Fund increases the paid-up capital of the Class A Shares, as discussed above under the heading “Taxation of the Fund – Dividend Refunds and Capitalization of Income”, an individual who holds Class A Shares will be deemed to have received a dividend equal to the amount of the paid-up capital increase in respect of his or her Class A Shares. The deemed dividend will be subject to the treatment generally applicable to dividends or capital gains dividends, as the case may be, received on the Class A Shares.

A holder of a Class A Share will generally not receive any cash distribution in respect of a deemed dividend or a deemed capital gains dividend. Accordingly, an individual holder may be liable to pay tax in respect of a deemed dividend or a deemed capital gains dividend even though the holder will not have received a cash distribution from the Fund with which to pay the tax.

A holder of a Class A Share which is a RRSP, a RRIF or, provided the Class A Share continues to be a qualified investment for a TFSA, a TFSA will be exempt from tax on the amount of any dividend, deemed dividend or deemed capital gains dividend.

ORGANIZATION AND MANAGEMENT DETAILS OF THE FUND

Officers and Directors of the Fund

The Fund has four directors. Each director will hold office until the next annual meeting of shareholders or until their successors are appointed or elected. The name, municipality of residence, position with the Fund, principal occupation, date he or she first became a director of the Fund and the number of Class A Shares owned or controlled for each of the directors and officers of the Fund are set out below:

Name and Municipality of Residence	Positions with the Fund	Principal Occupation	Date first became director	Number and percentage of Class A Shares owned or controlled
Jocelyne Marguerite Marie Côté-O’Hara ⁽¹⁾ Toronto, Ontario	Director	President of The Cora Group	February 6, 2006	nil
David Alexander Copeland ⁽¹⁾ Guelph, Ontario	Director	Partner, Nighthawk Investments	August 26, 2008	nil

<u>Name and Municipality of Residence</u>	<u>Positions with the Fund</u>	<u>Principal Occupation</u>	<u>Date first became director</u>	<u>Number and percentage of Class A Shares owned or controlled</u>
Alan Veeriah Chettiar Toronto, Ontario	Corporate Secretary	Corporate Secretary of each of the Fund, B.E.S.T. Total Return Fund Inc. and The B.E.S.T. Discoveries Fund Inc. and analyst of the Manager	N/A	nil
Thomas William Robert Lunan Toronto, Ontario	Chief Financial Officer	Chief Financial Officer of each of the Fund, B.E.S.T. Total Return Fund Inc. and The B.E.S.T. Discoveries Fund Inc., Vice-President of the Manager and Vice-President of Absolute Private Counsel Limited	N/A	nil
George Russell Paterson Toronto, Ontario	Director	Consultant, Paterson & Associates	February 6, 2006	nil
John Michael Anthony Richardson Waterdown, Ontario	Chief Executive Officer	Chief Executive Officer of each of the Fund, B.E.S.T. Total Return Fund Inc. and The B.E.S.T. Discoveries Fund Inc., President and a director of each of the Manager, and Absolute Private Counsel Limited	N/A	nil
Michael David Wright ⁽¹⁾ Toronto, Ontario	Director	Lawyer, Cavalluzzo Hayes Shilton McIntyre & Cornish LLP	October 30, 2001	nil

Note:

(1) Member of the Audit Committee.

The following is a brief biographical description of each of the directors and officers of the Fund:

Jocelyne Marguerite Marie Côté-O'Hara is President of The Cora Group, a corporate strategy and performance consulting firm. Ms. Côté-O'Hara is a former President and Chief Executive Officer of Stentor Telecom Policy Inc. and served for seven years as an executive and an officer of BC TEL. Over a period of ten years (1984 -1994), she served in the credit union movement, including six years as a director and Chair of the board of directors of the Civil Service Credit Union and three years as a director of the Ontario Deposit Insurance Corporation. Ms. Côté-O'Hara is currently a director of a number of companies and other organizations including The B.E.S.T. Discoveries Fund Inc., B.E.S.T. Total Return Fund Inc., Manitoba Telecom Services Inc., Xerox Canada Inc. and Ryerson University. She is a graduate of the University of Ottawa and has completed the Advanced Management Program at the Harvard Business School.

Alan Veeriah Chettiar is the Corporate Secretary of each of the Fund, the B.E.S.T. Discoveries Fund Inc. and B.E.S.T. Total Return Fund Inc. Mr. Chettiar is an analyst with the Manager and is involved in conducting due diligence on prospective opportunities as well as business development planning and regulatory compliance. Prior to joining the Manager, Mr. Chettiar was involved in a range of business functions, including managerial roles in sales and marketing at Molson Canada, and several smaller businesses. He has a Bachelor of Laws degree from Dalhousie Law School and a Bachelor of Commerce degree with a Major in Global Business Management from St. Mary's University. Mr. Chettiar recently completed the MBA Program at Ryerson University.

David Alexander Copeland is a partner in Nighthawk Investments, a partnership specializing in investing in small, growth-oriented businesses. Mr. Copeland has held executive roles in the automobile parts manufacturing industry including President, Co-founder and a Director of TRIAM Automotive Inc. and Executive Vice-President and Chief Financial Officer of Magna International Inc. Mr. Copeland is a director of Nuvo Research Inc., B.E.S.T. Total Return Fund Inc., The B.E.S.T. Discoveries Fund Inc. and a number of other private Canadian companies. Mr. Copeland is a Chartered Accountant and has a Bachelor of Mathematics degree from the University of Waterloo.

Thomas William Robert Lunan is the Chief Financial Officer of each of the Fund, The B.E.S.T. Discoveries Fund Inc. and B.E.S.T. Total Return Fund Inc. as well as the Vice-President of the Manager and the Vice President of Absolute Private Counsel Limited. Prior to joining the Manager, Mr. Lunan was a Manager, Company Listings at the Toronto Stock Exchange (the “TSX”) and prior to that Mr. Lunan was at the OSC in the Corporate Finance Branch. Mr. Lunan is a past director of the Toronto CFA Society, a director of Canadian World Fund Limited, a TSX listed closed-end fund, and a director of several private companies. Mr. Lunan is a Chartered Accountant and has been awarded the Chartered Financial Analyst designation.

George Russell Paterson retired as Treasurer of IBM Canada Limited in 1990 and has worked as a consultant since that time. He held a number of senior management positions with IBM including Director of Finance and Administration in Europe, Canada and Asia. Mr. Paterson serves on several boards including The B.E.S.T. Discoveries Fund Inc., B.E.S.T. Total Return Fund Inc., as well as a number of private companies, and provides strategic and management assistance to emerging technology corporations.

John Michael Anthony Richardson is the Chief Executive Officer of each of the Fund, The B.E.S.T. Discoveries Fund Inc. and B.E.S.T. Total Return Fund Inc., and the President and a director of Absolute Private Counsel Limited. Mr. Richardson is the founder, President and a director of the Manager. Currently, he serves as a director on a number of private company boards. He is a Chartered Accountant and a Chartered Business Valuator, and holds a Masters in Business Administration degree from the State University of New York and a Certificate Pratique de la Langue Françaises from the University de Savoie in France.

Michael David Wright is a Partner in the Toronto law firm Cavalluzzo Hayes Shilton McIntyre & Cornish LLP. Mr. Wright received his Bachelor of Laws degree from Osgoode Hall Law School and a Doctor of the Science of Law from Stanford University Law School. Mr. Wright’s work focuses on labour and employment law, including a significant class action practice. Mr. Wright has represented associations and also senior executives of technology companies. He has taught at the University of Toronto. Mr. Wright has published widely in the area of labour law and is a frequent speaker at continuing education seminars. He is a member of the Law Society of Upper Canada and the Canadian Association of Labour Lawyers.

The Board will be responsible for making investment decisions and reviewing all investments. The Board is also responsible for considering the appropriateness of the valuation policies adopted by the Fund. See “Calculation of Net Asset Value”. Potential conflicts may arise for directors of the Fund in connection with making investment decisions; however, if such a conflict arises, the affected directors will declare their conflict and abstain from participating in the investment decision.

From time to time, a director of the Fund may face a potential conflict in connection with certain matters relevant to the Fund. For example, a director or a director’s employer may have business relationships with eligible businesses in which the Fund is considering investing, or have a conflict due to such director’s involvement with the Manager. Where such conflicts arise, the director will be required, where appropriate, to abstain from participating in the investment decision.

The executive officers and directors of the Fund as a group do not own any Class A Shares directly or indirectly.

Audit Committee

The audit committee of the Fund has been established by the Board, which consists of three members of the Board, all of whom are independent of the Manager and the Sponsor. The current members of the audit committee are Jocelyne Côté-O’Hara, Michael Wright and David Copeland. A quorum for meetings of the audit committee is a majority of its members. The audit committee is responsible for reviewing financial statements prepared by the Manager on behalf of the Fund, liaising with the auditors of the Fund, reviewing the procedures respecting the approval of investments and the compliance of the Manager and the Board with those procedures and with applicable legislation and suggesting amendments to such procedures to the Board.

Remuneration of Directors and Officers

Directors of the Fund are generally entitled to receive an annual fee of \$7,000 per director and are reimbursed for all reasonable expenses incurred in attending such meetings. In addition, the Chairman of the Board is entitled to receive an additional annual fee of \$4,000 and the Chairman of the audit committee of the Fund is entitled to receive an additional annual fee of \$2,000.

The officers of the Fund receive no direct compensation or benefits from the Fund. However, pursuant to the Management Agreement, the Fund will reimburse all directors of the Fund who are directors, officers or shareholders of the

Manager for expenses arising from their attendance at directors meetings of the Fund. The services of the Chief Executive Officer and the Chief Financial Officer are to be provided to the Fund under the Management Agreement at the expense of the Manager.

Each director and officer of the Fund is granted an indemnity against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgement, reasonably incurred by the director or officer in respect of any civil, criminal, administrative or other proceeding in which the individual is involved as a result of being a director or officer of the Fund. However, a director or officer of the Fund will not be entitled to indemnification by the Fund unless he or she (a) acted honestly and in good faith with a view to the best interests of the Fund; and (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, had reasonable ground for believing that his or her conduct was lawful. The Fund maintains directors' and officers' liability insurance coverage for all directors and officers of the Fund.

Sponsor

General

The Sponsor is the Independent Union of Defence Contractors.

Relationship with the Fund

The Sponsor owns the ten issued and outstanding Class B Shares of the Fund (the "Class B Shares"). The Sponsor, being the sole holder of Class B Shares, must elect a majority of the directors, specifically, that number of directors representing the total number of directors less the number of directors that the holders of Class A Shares are entitled to elect as a class. The Fund currently has four directors and, accordingly, the Sponsor is currently entitled to elect three of such directors. Pursuant to an amended and restated sponsor agreement between the Manager, the Sponsor and the Fund dated as of December 20, 2007 (the "Sponsor Agreement"), of the directors to be elected by the Sponsor, the Sponsor has agreed to support the election of directors on the basis that one director will be nominated by the Sponsor and the remaining directors will be nominated by the Sponsor upon the recommendation of the Manager. The Sponsor is paid a fee, calculated and paid monthly in arrears, of 1/12th of 0.15% of the trading net asset value of the Fund to a maximum of \$105,000 per year.

While members of the Sponsor may subscribe for Class A Shares, neither the Sponsor nor its members are required to make any investment in the Fund. Individuals investing in Class A Shares need not be members of or have any connection with the Sponsor.

The Sponsor has undertaken to sponsor the Fund because it believes that the Fund, through its investments in early stage businesses, will stimulate economic growth and assist in strengthening the Ontario economy, thereby creating and preserving employment opportunities.

Manager of the Fund

The Manager performs its services to the Fund pursuant to the Management Agreement. The Manager is a corporation incorporated under the laws of Ontario on November 14, 1998, having its principal place of business at 15 Toronto Street, Suite 400, Toronto, Ontario M5C 2E3. The Manager is responsible for the Fund's ongoing operations, manages the business and affairs of the Fund and provides or retains other parties to provide management and administrative services.

The Manager is a wholly-owned subsidiary of 1209762 Ontario Inc. and is an experienced manager of The B.E.S.T. Discoveries Fund Inc. and B.E.S.T. Total Return Fund Inc., labour sponsored investment fund corporations.

Duties and Services to be Provided by the Manager

The Manager provides, or causes to be provided, all of the management and administrative services required by the Fund. These services include managing the Fund's day-to-day activities, supervising other service providers, providing liquid portfolio management services to the Fund and advising the Board in connection with the development of the overall strategic direction of the Fund. The Manager works with the Administrator to co-ordinate the offering of the Class A Shares and to establish the Fund's operating expense budgets and authorize the payment of actual operating expenses incurred.

The Manager assists the Board in the screening of prospective investment opportunities that meet the Fund's investment criteria, analyzes the commercial potential of the investment opportunities and, subject to the recommendation and approval of the Board, implements investment decisions made by the Board. The Manager also assists the Board in evaluating the performance of investee companies on an ongoing basis and assists in the management of investee companies

where appropriate. Although the Manager performs or causes to be performed the analysis necessary to evaluate an eligible technology business, such analysis is reviewed, and any investment recommendation or decision is made, by the Board. In providing services to the Fund, the Manager may also engage the services of investment advisors, individuals with specific expertise and other advisors from time to time.

Details of the Management Agreement

The Fund has entered into the Management Agreement pursuant to which the Manager receives a management fee for the management, registrar, transfer agency, sales and marketing, fund accounting and liquid portfolio management services provided, or caused to be provided, by the Manager. The total fees for such services will equal 3% per year of the trading net asset value of the Fund, calculated and paid monthly in arrears based on the trading net asset value on the last day of each month, as well as an additional 1% per year of the trading net asset value of the Fund which will be paid to the Administrator for services provided to the Fund, calculated daily and paid monthly in arrears.

In addition, the Manager is entitled to an annual performance fee equal to 25% of the amount by which the net revenue from the investment portfolio (excluding the portion of the Fund’s assets invested in liquid investments) of the Fund in each financial year exceeds the threshold for that financial year (which will be based on the average of the five-year government of Canada bond rate quotation on the first day of each month in the current and two immediately preceding financial years plus 3%, applied to the average carrying costs of the investment portfolio excluding the portion of the Fund’s assets invested in liquid investments). To the extent that the net revenue in any given year does not exceed the threshold, the amount by which the net revenue falls below the threshold will be carried forward and deducted from the net revenue in the next year. See “Fees and Expenses – Fees and Expenses Payable by the Fund – Performance Fee”.

Subject to the following, the Management Agreement will terminate upon the dissolution, winding-up or termination of the Fund. The Manager may terminate the Management Agreement upon ten business days notice if there is a material change in the fundamental investment objectives, strategy or restrictions of or applicable to the Fund. The Fund may terminate the Management Agreement upon ten business days notice if there is a change in the composition of senior management of the Manager which, in the view of the Board, acting reasonably, impairs the ability of the Manager to perform its obligations under the Management Agreement to a standard consistent with past practice or if the Manager becomes bankrupt or insolvent or makes a general assignment for the benefit of its creditors or a receiver is appointed in respect of the Manager or a substantial portion of its assets. Finally, either the Fund or the Manager may terminate the Management Agreement upon ten business days notice where the other party is in breach or default of any material provision thereof and the breach or default has not been cured within 20 business days of written notice of such breach or default.

The Fund is required under the Management Agreement to indemnify the Manager for all claims in respect of any civil, criminal or administrative action or proceeding that may arise in connection with the provision of services to the Fund if the Manager has acted honestly, in good faith and in the best interests of the Fund and exercised a degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Officers and Directors of the Manager of the Fund

The name, municipality of residence, position with the Manager and principal occupation of each of the directors and officers of the Manager are set forth below:

<u>Name and Municipality of Residence</u>	<u>Position with the Manager</u>	<u>Principal Occupation</u>
David Rodney Kenneth Bernard Sunninghill, United Kingdom	Director	Chief Information Officer at PepsiCo, Inc.
Richard Alexander Brown Toronto, Ontario	Director	Consultant
Thomas William Robert Lunan Toronto, Ontario	Vice-President	Chief Financial Officer of each of the Fund, B.E.S.T. Total Return Fund Inc. and The B.E.S.T. Discoveries Fund Inc., Vice-President of the Manager and Vice-President of Absolute Private Counsel Limited

<u>Name and Municipality of Residence</u>	<u>Position with the Manager</u>	<u>Principal Occupation</u>
John Michael Anthony Richardson Waterdown, Ontario	President and Director	Chief Executive Officer of each of the Fund, B.E.S.T. Total Return Fund Inc. and The B.E.S.T. Discoveries Fund Inc., President and a director of each of the Manager and Absolute Private Counsel Limited

A brief biographical description of Messrs. Richardson and Lunan is set out under the heading “Organization and Management Details of the Fund – Officers and Directors of the Fund”. The following is a brief biographical description of Mr. Bernard and Mr. Brown.

David Rodney Kenneth Bernard is currently the Chief Information Officer at PepsiCo, Inc. which manufactures, markets, and sells snacks and beverages worldwide. Mr. Bernard was previously the Director of Strategy and Planning and, prior to that, the Director of Information Technology at PepsiCo, Inc. supporting the Frito Lay North America division. Prior to joining Frito Lay North America, Mr. Bernard served as the Information Technology Director of Frito Lay Canada, where he sat on the President’s Senior Staff and Division Business Team. Prior to Frito Lay Canada, he held various roles with Frito Lay International. Mr. Bernard is a Chartered Accountant and holds an Honours Bachelor of Commerce degree from the University of Windsor and a Bachelor of Arts (Economics) degree from the University of Western Ontario.

Richard Alexander Brown is a consultant to and an investor in various finance, security software and manufacturing companies. Mr. Brown was the founder of H.D. Brown Enterprises Ltd., one of the largest sporting goods distributors and manufacturers in Canada until its sale in 1995. Mr. Brown is also a director of various private companies.

The Manager’s management fee is paid by the Fund. John Richardson is an officer and a director of the Manager and an officer of the Fund. Thomas Lunan is an officer of the Manager and of the Fund. See “Organization and Management Details of the Fund – Manager of the Fund – Details of the Management Agreement”.

Liquid Portfolio Manager

The Manager provides liquid portfolio management services to the Fund. The fees paid by the Fund to the Manager under the Management Agreement include fees for the Manager to provide, or cause to be provided, the liquid portfolio management services. See “Investment Strategies – Investment Implementation and Monitoring – Liquid Investments”.

Conflicts of Interest

The services of the Manager and its directors, officers, employees and agents are not exclusive to the Fund, and they may provide similar services to other parties, including services to other labour-sponsored venture capital corporations and the provision of services to investee companies on commercially reasonable terms. In particular, the Manager may, subject to compliance with applicable securities laws, render services and advice to other investment funds, own, develop and manage other investments, including investments in securities of the same issuers in which the Fund invests, or form or participate in the capitalization of entities that will act as managers of other funds or operating businesses.

The Management Agreement provides that, in general, the Manager must, subject to specific exclusions, present to the Fund all investment opportunities that are available to the Manager which in its good faith judgement, meets the Fund’s investment guidelines, are available to the Fund and which the Fund is otherwise able to make, having regard to any investment, tax, regulatory or legal restrictions. Generally speaking, if the Manager or its affiliates are aware of or involved in a proposed investment opportunity that they believe meets the investment criteria of more than one fund to which they provide fund management services, then the investment will be offered on a *pro rata* basis to all other such funds on the basis of each fund’s position with respect to investment pacing requirements. If all such funds have met their pacing requirements, the investment will be offered on a *pro rata* basis to all such funds based on their money available for investing. Where one fund has a pre-existing stake in the proposed investee, it may participate in the new investment to the extent it has the right to do so in order to maintain its proportionate ownership in priority to the participation of any other funds, following which the new investment will be allocated based on the preceding criteria. Specific matters of concern to the Fund and exceptions to the general policy described above will be approved by the Board. In addition, the IRC has established standing instructions to the Manager in connection with the allocation of investments among the Fund and other funds managed by the Manager and its affiliates.

The Fund will not invest or maintain an investment in any business if the business does not deal at arm’s length with the Fund or any of the directors of the Fund unless (a) the business would deal at arm’s length with the Fund but for the

Fund's interest as the holder of investments in the business; or (b) the investment is approved by a special resolution of the shareholders of the Fund (which includes approval by holders of at least two-thirds of the outstanding Class A Shares present at a duly constituted meeting of shareholders of the Fund) before the investment is made; and (c) such investment has been reviewed or approved by the IRC, as applicable.

Independent Review Committee

Pursuant to National Instrument 81-107 *Independent Review Committee for Investment Funds* ("NI 81-107"), the Fund must have an independent review committee ("IRC") to whom the Manager must refer conflict of interest matters for review or approval. The Manager has established the IRC which currently consists of three independent members, Geoffrey Ralph Bedford, Aleksandar Daskalovic and Stephen Paul Watzeck. Each member of the IRC is independent in accordance with NI 81-107. The IRC is responsible for overseeing all conflicts of interest matters relating to the operation of investment funds managed by the Manager and its affiliates, including the Fund. The Manager is required to identify conflict of interest matters in connection with its management of the Fund. The mandate of the IRC is to review and provide input or recommendations to the Manager on all conflict of interest matters that the Manager has referred to the IRC. Certain conflict of interest matters are expected to arise in connection with the allocation of investments among the Fund and other funds managed by the Manager and its affiliates. For these and other recurring conflict of interest matters, the IRC has established standing instructions to the Manager and may continue to do so in the future. NI 81-107 also imposes obligations upon the Manager to establish written policies and procedures for dealing with conflict of interest matters, maintain records in respect of these matters and provide assistance to the IRC in carrying out its functions. The IRC has adopted a written charter which it will follow when performing its functions and is subject to requirements to conduct regular assessments and provide reports to the Fund and its shareholders in respect of its functions. In performing their duties, members of the IRC are required to act honestly, in good faith and in the best interests of the Fund and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

The reasonable fees and expenses of members of the IRC, as well as a premium for insurance coverage for such members, will be paid by the Fund and other funds managed by the Manager and allocated in a fair and equitable manner. The Chairman of the IRC will receive an annual fee of \$3,000 and the Co-Chairman will receive a fee of \$1,500. Each other member will receive an annual retainer of \$1,500. For the 2008 fiscal year, each IRC member received a \$600 per meeting fee. Each IRC member will receive a \$600 per meeting fee for the 2009 fiscal year. In addition, the Fund has agreed to indemnify the members of the IRC against certain liabilities.

The IRC will prepare, at least annually, a report of its activities for shareholders which will be available on the Fund's website at www.bestfunds.ca or at a shareholder's request, at no cost, by contacting the Fund at 15 Toronto Street, Suite 400, Toronto, Ontario M5C 2E3 or at info@bestfunds.ca.

Administrator

Axis Capital Corporation, as agent for and on behalf of the Fund, entered into an administration and services agreement with the Administrator dated as of December 3, 2001 (the "Administration Agreement"). Pursuant to the Administration Agreement, the Administrator provides, or causes to be provided, certain services to the Fund including general administrative and accounting services, acting as registrar and transfer agent of the Class A Shares, communicating with the Fund's shareholders and conducting the Fund's marketing activities.

The fees of the Administrator are paid by the Manager and not by the Fund. However, the Administration Agreement provides that the Fund shall bear the costs of the development of sales, marketing and communications strategies, fund-specific promotional items and advertising costs, costs of retaining public relations consultants and of specific public relations initiatives, government relations costs, legal expenses (except the Administrator's own legal expenses) and the cost of any agreed upon budgets for cooperative initiatives that the Administrator and the Fund may launch from time to time.

Under the Administration Agreement, the Fund has agreed to indemnify the Administrator, its officers, directors, employees and agents from and against all claims incurred by the indemnified party in respect of any civil, criminal or administrative action or proceeding to which the person is made a party by reason of any action or inaction of the Administrator acting as administrator of the Fund under the Administration Agreement, except if the claim arises from the person's gross negligence or willful misconduct or by reason of failing to fulfill its obligations under the Administration Agreement.

The initial term of the Administration Agreement ends on December 3, 2011, after which it will automatically renew for successive one-year periods, subject to termination by either party upon six months prior written notice. Additionally, either party may terminate the Administration Agreement immediately in the event of a material breach by the other party

where the breach has not been cured within 30 days of written notice of such breach or in the event that the other party ceases to carry on business, becomes bankrupt or insolvent, resolves to wind up or liquidate or if a receiver of any of its assets is appointed.

Custodian

Under an agreement dated December 21, 2001 (the “Custodian Agreement”) between CIBC Mellon Global Securities Services Company and certain of its affiliates (collectively, the “Custodian”) and the Fund, the Custodian has agreed to hold the portfolio securities of the Fund in safekeeping for the Fund. The Fund pays the custodial fees under the Custodian Agreement and the Fund has indemnified the Custodian in specified circumstances. The address of the Custodian is 320 Bay Street, P.O. Box 1, 6th Floor, Toronto, Ontario M5H 4A6.

Transfer Agent and Registrar

The Administrator is the registrar and transfer agent for the Class A Shares, and will maintain the register of transfers of Class A Shares at its principal place of business at 1500 University Street, Suite 800, Montreal, Quebec H3A 3A6. See “Securityholder Matters – Reporting to Securityholders”.

Auditors

The auditors of the Fund are PricewaterhouseCoopers LLP, Chartered Accountants, Suite 3000, Box 82, 77 King Street West, Toronto, Ontario M5K 1G8.

CALCULATION OF NET ASSET VALUE

The trading net asset value of the Fund is determined on each business day by subtracting the aggregate amount of the Fund’s liabilities from the aggregate of: (a) the value of its assets for which a published market exists on the basis of the valuation of such assets as of the relevant date; (b) the value of its assets for which no published market exists on the basis of the valuation of such assets as of that date; (c) any unamortized balance of sales commissions (see “Fees and Expenses – Fees and Expenses Payable by the Fund – Operating Expenses”); and (d) the book value of any other assets of the Fund (the “trading net asset value”).

The trading net asset value per share of the Series 1 Shares or Series 2 Shares is the aggregate of: (a) the unattributed net asset value per Class A Share (the calculation of which is set out below); plus (b) the quotient that is obtained by dividing (i) the difference obtained by subtracting the value of the Fund’s assets directly attributable to the Series 1 Shares or the Series 2 Shares, as applicable, from the value of the Fund’s liabilities directly attributable to the Series 1 Shares or the Series 2 Shares, as applicable, by (ii) the total number of outstanding shares of such series.

The unattributed net asset value per Class A Share is the quotient that may be obtained by dividing:

- (a) the trading net asset value of the Fund; minus
- (b) the stated capital of the Class B Shares; minus
- (c) the sum of:
 - (i) the difference obtained by subtracting the value of the Fund’s assets directly attributable to the Series 1 Shares from the value of the Fund’s liabilities directly attributable to the Series 1 Shares; and
 - (ii) the difference obtained by subtracting the value of the Fund’s assets directly attributable to the Series 2 Shares from the value of the Fund’s liabilities directly attributable to the Series 2 Shares,

by the total number of outstanding Class A Shares and class C shares of the Fund (the “Class C Shares”) (if any).

Assets, common liabilities, revenues and expenses that are not directly attributable to a series of shares are allocated proportionately to each series based upon the relative net asset value of each series.

Valuation Policies and Procedures of the Fund

Quarterly Valuations

The Board determines the value of the Fund's assets (the "Quarterly Valuation") at least four times each year (as at the end of February, May, August and November). The Board's determination is based on the policies and procedures established by it, as set out below.

Methodology

Short-term investments, which have a term to maturity of less than one year, are valued at fair value. Fixed-term investments are valued based on quoted market prices. Purchases and sales of marketable securities are recorded on a trade date basis.

Venture investments will be recorded at the estimated fair value determined on a going concern basis or, if appropriate, assuming an orderly disposition over a reasonable period of time. The valuation process will use, as much as possible, objective measures, but it will still be based on assumptions and include inherent uncertainties. Actual values realized when the Fund ultimately disposes of an investment will vary from the estimated fair value and the variation may be material.

In determining the value of venture investments, the Board will be guided, where appropriate, but not be bound, by the following criteria:

- *Public Companies.* Venture investments, which are publicly traded on a recognized stock exchange or an unlisted market having quoted market values, are recorded at values based on the quoted market price at the valuation date.
- *Private Companies.* Private company investments are fair valued, and the fair value takes into account the following considerations:
 - a significant arm's length transaction which establishes a different carrying value such as a subsequent round of financing;
 - an independent appraisal by a qualified valuator; or
 - a conservative multiple of sustainable earnings, cash flows or sales revenues or discounted cash flows with reference to an assessment of the tangible asset value may be used in situations where an investee corporation has reached sufficient maturity as to warrant the use of such methods.
- *Debt.* Convertible debt instruments will generally be fair valued as if they had been converted, in each case with such fair value being determined on the basis described above. Other debt instruments, including venture investments in debt instruments, are carried at their principal amount. Accrued interest or discounts earned are included in interest receivable. Where there is a decline in the carrying value of a debt instrument, the instrument and the related accrued interest will be written down to their fair value.
- *Other Convertible Securities.* Warrants, rights and options that are publicly traded on a recognized stock exchange having quoted market values are recorded at values based on their quoted market value at the valuation date. Warrants, rights and options which do not have a public market price will be carried at either their intrinsic value, being the amount by which the fair value of the underlying security as determined above exceeds the exercise price, or at such valuation as determined by the application of industry accepted derivative models such as the Black Scholes model where appropriate.

National Instrument 81-106 – *Investment Fund Continuous Disclosure* ("NI 81-106") requires funds to calculate their net asset value using the fair market value of their assets and liabilities while their financial statements must be prepared in accordance with Canadian GAAP which has a different definition of fair value. Under Canadian GAAP, publicly traded investments are valued at closing bid prices and private investments are valued at fair value. The Fund calculates its trading net asset value by using the closing price of the publicly traded securities it holds instead of the closing bid price required by GAAP. In addition, as disclosed under the heading "Fees and Expenses" there are differences between the trading net asset value of the Class A Shares and the net asset value of the Class A Shares for purposes of the Fund's financial statements as a result of the deferral and amortization of sales commissions paid prior to January 1, 2004. In accordance with NI 81-106, financial statements of the Fund will contain a reconciliation of the net assets as reported in such financial statements in

accordance with Canadian GAAP to the net asset value which is used by the Fund for all other purposes, such as the issue and redemption of Class A Shares.

Regular Valuations

The Administrator will update, or cause to be updated, on behalf of the Manager, the Quarterly Valuation on each business day. The valuations will be based on the most recent Quarterly Valuation determined by the Board and will take into account any material change in the assets of the Fund. The Board will approve any valuation adjustment related to an investment where it is expected that the adjustment will change the trading net asset value per Class A Share by more than 5% of the preceding Quarterly Valuation.

Independent Valuation

NI 81-106 became effective for the Fund's 2005 fiscal year end. As a result, there is a requirement for the Fund to provide fair value information regarding its investment portfolio in one of two ways: (i) to provide the individual fair value for each investment in the Statement of Investment Portfolio, or (ii) to provide an independent valuation report that will be filed with the OSC. It is the Fund's intention to satisfy this requirement by having engaged PricewaterhouseCoopers LLP, the Fund's independent auditors, to perform certain procedures on the value of the Fund's venture investment portfolio as at August 31, 2008, as part of their audit and report thereon. The PricewaterhouseCoopers LLP personnel responsible for performing the procedures are members in good standing with the Canadian Institute of Chartered Business Valuators and have experience in valuing both private and public companies. They have no present or prospective financial interest in the securities of the Fund and the fees to be received by PricewaterhouseCoopers LLP are not contingent on the conclusions reached.

The procedures performed do not constitute an independent valuation (i.e., a comprehensive valuation, estimate of value or calculation of value in accordance with the standards of the Canadian Institute of Chartered Business Valuators) of the Fund, the net assets of the Fund or the individual investments of the Fund, nor do they constitute a "valuation service" as defined in the Canadian Institute of Chartered Accountants Independence Requirements. It is the responsibility of the Board to set appropriate valuation policies, to ensure compliance with applicable legislation and regulation, to determine the value of the Fund's assets, the net asset value of the Fund and the Series 1 Shares and the Series 2 Shares.

The process of valuing venture investments is inevitably based on inherent uncertainties and the resulting values will differ, perhaps materially, from the amounts ultimately realized. Also, because these venture investments have been valued on a going concern basis, the values may differ compared to those realized through a forced liquidation.

Reporting of Net Asset Value

The Fund will make available to the financial press, at no cost, the trading net asset value of the Class A Shares on each Business Day. The trading net asset value of the Class A Shares is also available to investors on each Business Day, at no cost, on the Renaissance Investments™ website at <http://www.renaissanceinvestments.ca/>.

ATTRIBUTES OF THE SECURITIES

The authorized capital of the Fund consists of an unlimited number of Class A Shares issuable in series, an unlimited number of Class B Shares and an unlimited number of Class C Shares issuable in series. The following is a summary of the material provisions attaching to each class of shares of the Fund. Only the Class A Shares are distributed under this prospectus.

Description of the Securities Distributed – Class A Shares

Issue

The Class A Shares may be issued only to individuals (other than trusts) and certain RRSPs and, if and when permitted, TFSA's that, at the time of subscribing for Class A Shares, meet all other conditions, if any, of the Federal Act and the Ontario Act. The Class A Shares are issuable in series, each series consisting of such number of shares as may be determined by the Board. Two series of Class A Shares have been designated, being the Series 1 Shares and the Series 2 Shares.

Transfer

Pursuant to the Fund's articles of incorporation, the Fund may not register in the securities register of the Fund or otherwise recognize a transfer of a Class A Share by the original purchaser (or by a RRSP or a RRIF under which the original purchaser or the original purchaser's spouse is the annuitant) unless the holder of the Class A Share has satisfied all applicable conditions, if any, of the Federal Act, the Ontario Act and other similar provincial legislation having application to the holder or the Fund. As at the date of this prospectus, there are no applicable restrictions on the transfer of Class A Shares.

Redemption by Holders

A holder of Class A Shares in respect of which the Federal Credit and/or the Ontario Credit is claimed may require the Fund to redeem his or her Class A Shares without repayment of tax credits on or after the eighth anniversary of the date of issue of the Class A Shares. Class A Shares may also be redeemed at any time prior to the expiry of the eight year period if an amount that is generally equal to the Ontario Credit on such shares and an amount in respect of the Federal Credit is withheld from the redemption amount and paid to the appropriate federal and provincial authorities. A holder of Class A Shares may also generally request the Fund to redeem his or her Class A Shares prior to the expiry of the eight year period without withholding of amounts in respect of the Federal Credit and/or the Ontario Credit where:

- *Disability or Illness:* after acquiring the Class A Shares, the holder became disabled or permanently unfit for work or became terminally ill, or where the holder is a trust governing a RRSP or registered retirement income fund ("RRIF"), after acquiring the Class A Shares, the annuitant under the RRSP or the RRIF became disabled and permanently unfit for work or became terminally ill;
- *Return of tax credit certificate:* the redemption is requested within 60 days of issuance and the original tax credit certificate and any information return issued to the original purchaser in respect of such Class A Shares is returned to the Fund;
- *Death of Holder:* the holder acquired the Class A Shares from another person as a consequence of the death of the other person or the death of an annuitant under a trust governing a RRSP or RRIF that previously held the Class A Shares; or
- *Wind-Up or Dissolution of the Fund:* in certain circumstances, the redemption, acquisition or cancellation of the Class A Shares is part of a publicly announced dissolution or wind-up of the Fund which occurs within a reasonable period of time before the Fund surrenders its registration.

Under the Ontario Act, when determining the date on which a Class A Share that was issued in February or March is redeemed for the purpose of the tax credit recovery provisions, a redemption of such Class A Share that occurs in February or on March 1 is deemed to occur on March 31. This measure is intended to accommodate Class A shareholders wishing to acquire new Class A Shares in the first 60 days of a year with the proceeds from the redemption of Class A Shares.

A holder of Class A Shares in respect of which a tax credit certificate has not been issued may request the Fund to redeem the Class A Shares at any time. A Class A Share may also be redeemed in any other circumstances where the redemption is permitted by applicable legislation. Requests for redemption will be accepted in the order in which they are received.

In any financial year, the Fund is not required to, but may at its option if sufficient liquid assets are available, redeem Class A Shares having an aggregate redemption price exceeding 20% of the trading net asset value of the Fund as at the last day of the preceding financial year. Subject to the foregoing limitation, any such shares that the Fund has not redeemed in a particular financial year will be redeemed in the following financial year before the Fund redeems any other Class A Shares and, for such purposes, the requests to redeem such shares will be deemed to have been received by the Fund on the first day of the following financial year in the order that they were originally received by the Fund.

Redemptions of Class A Shares will be made at the trading net asset value per Class A Share for the applicable series (see "Calculation of Net Asset Value") determined as at the close of business on the day on which the Fund receives the request or on the following business day if the request is received after 4:00 p.m. Toronto time or on a day that is not a business day.

The Fund is entitled to suspend the right of holders of Class A Shares to redeem Class A Shares and/or delay the date for payment of the redemption amount in respect of any redeemed Class A Share for the whole or any part of any period for which the consent of the OSC has been obtained.

If the Fund is requested to redeem Class A Shares before the eighth anniversary of their issue, in addition to withholding in respect of the Federal Credit and the Ontario Credit, holders of Class A Shares so redeemed will be charged an early redemption fee of, in the case of the Series 1 Shares, 0.75%, and in the case of the Series 2 Shares, 1.375%, of the redemption amount for each year or part year remaining before the eighth anniversary of the date of issue. There is no redemption fee where the redemption occurs after the eighth anniversary of the date of issue. The redemption fee will be deducted from the redemption amount otherwise payable and will be retained by the Fund.

Dividends

Holders of Class A Shares are entitled to receive dividends at the discretion of the Board, but no dividends may be declared or paid unless the same dividend per share is declared or paid on Class C Shares.

Voting Rights

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

Fractional Shares

A holder of a fractional Class A Share is entitled to exercise voting rights and to receive dividends in respect of such fractional Class A Share to the extent of such fraction.

Election of Directors

Holders of Class A Shares as a class are generally entitled to elect three directors of the Fund. However, if there are less than seven directors, the holders of Class A Shares are only entitled to elect the number of directors equal to the total number of directors to be elected minus a simple majority of such number. The Fund currently has four directors and, accordingly, the holders of Class A Shares are currently entitled to elect one director.

Dissolution

On liquidation, dissolution or winding-up of the Fund or other distribution of the assets of the Fund for the purpose of winding-up its affairs, the holders of the Class A Shares and the Class C Shares (if any) are entitled to share on a *pro rata* basis all the assets of the Fund remaining after payment of all liabilities of the Fund and after the return of paid-in capital to the holders of the outstanding Class B Shares.

Differences between Series 1 Shares and Series 2 Shares

Different sales commission, redemption fee and service fee structures apply to each of the Series 1 Shares and Series 2 Shares.

Sales commissions on the Series 1 Shares and the Series 2 Shares are based on the original issue price and are paid by the Fund. A sales commission of 6% of the original issue price of the Series 1 Shares will be paid by the Fund to registered dealers selling such shares. A sales commission of 6% of the original issue price will be paid by the Fund to registered dealers selling Series 2 Shares plus an additional up-front commission of 5% of the original issue price in lieu of any service fees being payable before the eighth anniversary of the date of issue, resulting in an 11% initial sales commission paid to registered dealers selling Series 2 Shares. See "Plan of Distribution".

Service fees are based on the trading net asset value of each series of shares and will fluctuate over time with any changes in the trading net asset values. An annual service fee equal to 0.50% of the trading net asset value of the Series 1 Shares, calculated daily and paid quarterly in arrears, will be paid to registered dealers in respect of Series 1 Shares held by the clients of the sales representatives of the registered dealers. No annual service fee will be paid to registered dealers in respect of Series 2 Shares before the eighth anniversary of the date of issue of such shares. After the eighth anniversary of the date of issue of the Series 2 Shares, the Fund may pay to registered dealers selling Series 2 Shares an annual service fee equal to 0.50% of the trading net asset value of the Series 2 Shares, calculated daily and paid quarterly in arrears, held by clients of the sales representatives of the registered dealers. Such service fees will be paid as compensation for the expenses incurred by the registered dealers in communicating on an ongoing basis with their clients who are holders of Class A Shares.

Holders of Series 1 Shares or Series 2 Shares who elect to redeem such shares before the eighth anniversary of the date of issue of such shares will be charged an early redemption fee payable to the Fund. The redemption fee on the Series 1

Shares is 0.75% of the redemption amount of such Series 1 Shares for each year or part year remaining before the eighth anniversary of the date of issue. The redemption fee on the Series 2 Shares is 1.375% of the redemption amount of such Series 2 Shares for each year or part year remaining before the eighth anniversary of the date of issue.

Investors should consult their professional advisors as to which series of Class A Shares is more appropriate for them.

Class B Shares

Issue

The Class B Shares may be issued only to the Sponsor, or such other organizations, entities or persons permitted under the Ontario Act to hold such shares. There are currently ten Class B Shares outstanding, all of which are held by the Sponsor.

Transfer

A holder of Class B Shares is restricted from transferring Class B Shares unless the entity to whom such Class B Shares are to be transferred is an "employee organization", as defined in the Ontario Act, or such other organization, entity or person that is permitted to hold Class B Shares under the Ontario Act, and such transfer is approved by the Board.

Redemption

The Class B Shares are redeemable by the Fund at a redemption price equal to the purchase price paid for such shares.

Dividends

The holders of the Class B Shares are not entitled to receive dividends.

Voting Rights

The holders of the Class B Shares are entitled to receive notice of and to attend all meetings of shareholders and, except for meetings at which only holders of a different class or series are entitled to vote separately as a class or series, are entitled to vote at any such meeting. Each Class B Share entitles the holder to one vote.

Election of Directors

The holders of the Class B Shares are entitled to elect a majority of the directors, specifically, that number of directors representing the total number of directors less the number of directors that the holders of Class A Shares are entitled to elect as a class. The Fund currently has four directors and, accordingly, the holders of Class B Shares are currently entitled to elect three directors.

Dissolution

On liquidation, dissolution or winding-up of the Fund or other distribution of the assets of the Fund for the purpose of winding-up its affairs, the holders of the Class B Shares are entitled to receive the purchase price paid for such shares before any assets of the Fund are distributed to the holders of the Class A Shares and the Class C Shares (if any) but after payment of all liabilities of the Fund.

Class C Shares

Issue

The Class C Shares are issuable in series, each series consisting of such number of shares as may be determined by the Board. There are no Class C Shares outstanding as of the date of this prospectus.

Dividends

Holders of Class C Shares are entitled to receive dividends at the discretion of the Board, but no dividends may be declared or paid unless the same dividend per share is declared or paid on Class A Shares.

Dissolution

On liquidation, dissolution or winding-up of the Fund or other distribution of the assets of the Fund for the purpose of winding-up its affairs, the holders of Class C Shares and Class A Shares are entitled to share on a *pro rata* basis all the assets of the Fund remaining after payment of all liabilities of the Fund and after the return of paid-in capital to the holders of outstanding Class B Shares.

Non Voting

The holders of Class C Shares are entitled to receive notice of and to attend all meetings of shareholders but, except as provided by law, are not entitled to vote at such meetings.

Other Rights

Except as set out above, the rights, privileges, restrictions and conditions attaching to each series of Class C Shares will be determined by the Board, subject to the prior approval of the Minister of Finance (Canada) and the Minister of Finance (Ontario).

SECURITYHOLDER MATTERS

Meetings of Securityholders

The Board must call a general meeting of shareholders every year. A special meeting of shareholders may be called by the Board at any time. Not less than 21 days' and not more than 60 days' notice will be given for any meeting of the Fund's shareholders. A quorum for a meeting of shareholders consists of holders of a majority of Class B Shares and at least one holder of Class A Shares being present in person or represented by proxy. Unless a greater majority is required by the laws applicable to the Fund, the approval of the shareholders of the Fund is deemed to be given if expressed by a resolution passed by at least a majority of the votes cast at a meeting of shareholders or each class of shareholders, as the case may be, called to consider such resolutions.

Matters Requiring Securityholder Approval

Certain changes affecting the Fund may only be implemented with the approval of the shareholders of the Fund. A meeting of the shareholders, or where required by law a meeting of each class of shareholders, of the Fund must be convened to consider and approve any of the following matters that the Fund may propose to change in the future:

- a change of the manager of the Fund (other than to an affiliate of the Manager);
- any change in the fundamental investment objectives of the Fund;
- any decrease in the frequency of calculating the trading net asset value of the Class A Shares;
- subject to certain exemptions available under rules applicable to mutual funds, the commencement of the use by the Fund of permitted derivatives; and
- any other matter that is required by the articles or by-laws of the Fund or by any agreement to be submitted to a vote of the shareholders of the Fund.

Approval of the shareholders will also be required before entering into or amending any contract as a result of which the basis of the calculation of the fees or other expenses that are charged to the Fund could result in an increase in charges to the Fund unless (a) the Fund contracts at arm's length with the party to which the fees or other expenses will be paid; and (b) the shareholders are given written notice of the change at least 60 days before the effective date of the change. In addition, approval of the shareholders is required under the *Canada Business Corporations Act* (the legislation under which the Fund is incorporated) for certain fundamental changes of the Fund, such as certain amendments to the Fund's articles, the amalgamation of the Fund with another entity, the continuance of the Fund under the corporate laws of another jurisdiction, and the sale, lease or exchange of all or substantially all of the property of the Fund other than in the ordinary course of business.

The auditors of the Fund may be changed without prior approval of the shareholders of the Fund, provided the IRC approves the change and the shareholders are sent written notice at least 60 days before the effective date of the change.

Reporting to Securityholders

Purchasers of Class A Shares will receive a transaction confirmation for each purchase of Class A Shares. Where systematic purchase plans are set up, confirmation will only be sent when material changes occur in the plan. Shareholders will receive annually a statement showing the number and current value of their Class A Shares.

The Fund has entered into the Management Agreement with the Manager pursuant to which the Manager provides, or causes to be provided, services to the Fund, including administrative services such as those relating to marketing, processing of orders, maintaining shareholder records (including a register of transfers of Class A Shares) and preparing shareholder reporting information. The Administrator provides, or causes to be provided, such administrative services to the Fund. See “Organization and Management Details of the Fund”.

The Fund will make available to shareholders audited annual and unaudited interim financial statements, annual and interim management reports of fund performance and an annual report of the Fund as required by applicable law. The financial statements will be prepared in accordance with Canadian GAAP. The auditors of the Fund will report on the fair presentation of the annual financial statements in accordance with Canadian generally accepted auditing standards.

PLAN OF DISTRIBUTION

Class A Shares are sold through registered dealers permitted to sell Class A Shares. Any such registered dealer will receive a commission on each Class A Share subscribed for pursuant to subscriptions procured by such dealer and accepted by the Fund. A sales commission of 6% of the original issue price of the Series 1 Shares will be paid by the Fund to registered dealers selling such shares. A sales commission of 6% of the original issue price will be paid by the Fund to registered dealers selling the Series 2 Shares plus an additional up-front commission of 5% of the original issue price in lieu of any service fees being payable before the eighth anniversary of the date of issue, resulting in an 11% initial sales commission paid to registered dealers selling Series 2 Shares.

In addition, the Fund will pay to dealers an annual service fee. An annual service fee equal to 0.50% of the trading net asset value of the Series 1 Shares, calculated daily and paid quarterly in arrears, will be paid to registered dealers in respect of the Series 1 Shares held by the clients of the sales representatives of the registered dealers. No annual service fee will be paid to registered dealers in respect of Series 2 Shares before the eighth anniversary of the date of issue of such shares. After the eighth anniversary of the date of issue of the Series 2 Shares, the Fund may pay to registered dealers selling Series 2 Shares an annual service fee equal to 0.50% of the trading net asset value of the Series 2 Shares, calculated daily and paid quarterly in arrears, held by the clients of the sales representatives of the registered dealers. The service fee is intended to compensate dealers for the expenses incurred by them in communicating on an ongoing basis, both by mail and in person, with their clients who are holders of Class A Shares with respect to investments made by the Fund and the investment strategies and investment performance of the Fund.

The Fund may enter into cooperative advertising programs with registered dealers providing for the reimbursement by the Fund of expenses incurred by the registered dealers in promoting sales of the Class A Shares.

Although the Fund expects to continue the offering of the Class A Shares at prices equal to the trading net asset value per Class A Share for the applicable series, from time to time the Fund may suspend offering the Class A Shares and recommence offering the Class A Shares at any time the Fund deems appropriate in its sole discretion. The Fund may suspend the offering of the Class A Shares at any time when the Fund has more funds on hand than it can invest in suitable investments within a reasonable period of time and will recommence the offering at such time as sufficient investment opportunities are available.

PRINCIPAL HOLDERS OF SECURITIES OF THE FUND

The issued and outstanding Class A Shares are widely held. As of December 24, 2008, no person or company owned of record or beneficially, directly or indirectly, more than 10 per cent of the Class A Shares.

The directors and senior officers of the Fund, as a group, and the directors and senior officers of the Manager, as a group, do not beneficially own, directly or indirectly, any Class A Shares as of the date of this prospectus.

The Sponsor owns ten issued and outstanding Class B Shares of the Fund as of the date of this prospectus, representing 100% of the issued and outstanding Class B Shares.

The issued and outstanding common shares of the Manager are owned by 1209762 Ontario Inc. as of the date of this prospectus. John Richardson, an officer of the Fund and a director and officer of the Manager, indirectly controls 1209762 Ontario Inc. and is its President, Secretary and a director.

The members of the IRC do not beneficially own, directly or indirectly, securities of the Manager, the Fund or any service provider to the Manager or the Fund.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Excluding their involvement in the material contracts herein disclosed, none of the Manager, Axis Capital Corporation, the directors or senior officers of the Fund or insiders of the Manager, Axis Capital Corporation or the Fund and no person or company associated or affiliated with any of the foregoing persons has had any material interest, direct or indirect, in any transaction which occurred during the last three years prior to the date of this prospectus or is anticipated to occur which materially affected or is expected to materially affect the Fund. See “Material Contracts” and “Organization and Management Details of the Fund – Conflicts of Interest”.

Pursuant to the Management Agreement, the Manager has been retained as manager of the Fund and will receive certain management fees. See “Organization and Management Details of the Fund – Manager of the Fund”. Mr. Richardson is an officer of the Fund and a director and officer of the Manager. Mr. Lunan is an officer of both the Fund and the Manager. 1209762 Ontario Inc. owns all of the issued and outstanding shares in the capital of the Manager. Mr. Richardson, an officer of the Fund and a director and officer of the Manager, indirectly controls 1209762 Ontario Inc. and is its President, Secretary and a director.

Axis Capital Corporation, the former manager, had retained Absolute Private Counsel Limited to be the liquid portfolio manager of the Fund. Messrs. Richardson and Lunan, who are officers of the Fund, are also directors and officers of Absolute Private Counsel Limited. Absolute Private Counsel Limited is a wholly-owned subsidiary of the Manager. Mr. Richardson indirectly controls the Manager and controlled Axis Capital Corporation.

PROXY VOTING DISCLOSURE FOR PORTFOLIO SECURITIES HELD

The Fund has adopted a policy that provides general guidance as to how the Fund will vote as a securityholder of its portfolio companies. The Board has delegated day-to-day oversight of proxy voting to the Manager. The Manager performs the following functions: (1) managing proxy voting vendors, (2) reconciling share positions, (3) analyzing proxy proposals using factors described in the guidelines, (4) determining and addressing potential or actual conflicts of interest that may be presented by a particular proxy, and (5) voting proxies. There may be circumstances where the Manager votes differently than anticipated by the guidelines, since every vote is considered on a case-by-case basis. In every case, the Manager will vote in a manner that is consistent with the best interests of the Fund. There may be circumstances when the Manager will refer proxy issues to the Board for consideration. In addition, the Board has the authority to vote proxies at any time, when, in the Board's discretion, such action is warranted.

The Fund's investments consist primarily of debt and equity investments in small, privately-held companies. It is unusual for those companies to solicit proxies. Rather, shareholders actions are usually undertaken by written resolutions of all shareholders or, in limited cases, voting at a meeting of shareholders. Accordingly, the Fund's policy extends not only to proxies, but also applies to written resolutions and voting by representatives of the Fund in person at meetings of shareholders.

In making its investments, the Manager works with each portfolio company, and the portfolio company's founders and other securityholders, to determine an appropriate structure with respect to capitalization, board structure, incentive stock option arrangements, management compensation and other matters. Such matters are generally dealt with in shareholder agreements and other agreements entered into at the time of an investment. Accordingly, any matter that is dealt with by such an agreement will be voted on by the Manager in compliance with the Fund's obligations under the agreement.

On routine matters that pertain to the operations and business of a portfolio company that are not governed by an agreement, the Manager will generally vote with the management of the portfolio company. The Manager will deviate from this policy if there are significant investment implications of any issue on which the Fund is asked to vote. On non-routine matters that are not governed by an agreement, the Manager will vote on a case-by-case basis. The Manager will vote for matters that are aligned with the best interests of the Fund, and will withhold its vote on, or vote against, any matter that the Manager believes is not in the best interests of the Fund. The Manager makes its determination based on a review of the performance of the portfolio company's management, its business objectives, its future prospects and the impact of the vote on the value of the securities of the portfolio company held by the Fund.

The Manager shall authorize proxy votes that the Manager determines, in its sole discretion, to be in the best interests of the Fund. In determining how to apply the guidelines to a particular factual situation, the Manager may not take into account any interest that would conflict with the interest of the Fund in maximizing the value of shareholder investments in the Fund. From time to time, apparent conflicts of interest may arise with respect to the exercise of voting rights of the Fund such as situations where employees and officers of the Manager serve as directors of such a portfolio company. In the event that the Manager has a conflict of interest regarding a proxy vote, the Manager must inform the Board of the conflict and not participate in the proxy voting decision or process and refer such conflict to the independent review committee (as described herein).

The Fund will prepare a proxy voting record on an annual basis for the period ending on June 30 of such year. The Fund will promptly send the most recent copy of its proxy voting policies and procedures and proxy voting record, without charge, to any shareholder upon a request made by the shareholder after August 31 in a given year and is available at www.bestfunds.ca.

MATERIAL CONTRACTS

The Fund has entered into the following contracts that are material to investors:

- (a) the Management Agreement referred to under “Organization and Management Details of the Fund – Manager of the Fund – Details of the Management Agreement”;
- (b) the Sponsor Agreement referred to under “Organization and Management Details of the Fund – Sponsor”;
- (c) the Administration Agreement referred to under “Organization and Management Details of the Fund – Administrator”; and
- (d) the Custodian Agreement referred to under “Organization and Management Details of the Fund – Custodian”.

Copies of the foregoing contracts may be inspected during regular business hours at the principal place of business of the Fund at 15 Toronto Street, Suite 400, Toronto, Ontario M5C 2E3.

LEGAL AND ADMINISTRATIVE PROCEEDINGS

There are no legal or administrative proceedings material to the Fund to which the Fund is a party or to which any of its property is subject and no such proceedings are known to be contemplated.

EXPERTS

Certain legal matters in connection with this offering have been passed upon on behalf of the Fund and the Manager by McMillan LLP. PricewaterhouseCoopers LLP is the Fund’s auditors and such firm has prepared an opinion with respect to the Fund’s financial statements for the financial year ended August 31, 2008. As of the date hereof, the partners and associates of McMillan LLP as a group, beneficially hold, directly or indirectly less than one percent of the securities of the Fund. PricewaterhouseCoopers LLP does not beneficially hold any securities of the Fund.

EXEMPTIONS AND APPROVALS

The Fund has applied to the OSC, and has been granted, an exemption from rules in National Instrument 81-105 – *Mutual Fund Sales Practices* in order to permit the Fund to pay marketing expenses directly, including cooperative advertising programs, service fees and sales commissions.

Pursuant to National Instrument 81-102 *Mutual Funds*, the Fund has obtained exemptive relief permitting the payment of the performance fee as described in this prospectus. See “Fees and Expenses – Performance Fee”.

PURCHASERS’ STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in Ontario provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt of a prospectus and any amendment or within forty-eight hours after the receipt of a confirmation of a purchase of such securities. If the agreement is to purchase such securities under a contractual plan, the time period during which withdrawal may be made may be longer. In Ontario, the securities legislation further

provides a purchaser with remedies for rescission if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission are exercised by the purchaser within the time limit prescribed by the securities legislation of Ontario. The purchaser should refer to the applicable provisions of the securities legislation of Ontario for the particulars of these rights or should consult with a legal advisor.

DOCUMENTS INCORPORATED BY REFERENCE

Additional information about the Fund is available in the following documents:

1. the most recently filed audited annual financial statements, together with the accompanying report of the auditor;
2. any interim financial statements filed after those audited annual financial statements;
3. the most recently filed annual management report of fund performance; and
4. any interim management report of fund performance filed after that annual management report of fund performance.

These documents are incorporated by reference into the prospectus, which means that they legally form part of this document just as if they were printed as part of this document. An investor can get a copy of these documents, at his or her request, and at no cost, by calling 1-800-795-2378 or from his or her dealer.

These documents are available on the Fund's Internet site at www.bestfunds.ca. These documents and other information about the Fund are also available on the internet at www.sedar.com.

AUDITORS' CONSENT

We have read the prospectus of Axis Investment Fund Inc. (the "Fund") dated December 24, 2008, relating to the issue and sale of Class A Shares of the Fund. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned prospectus of our report to the shareholders of the Fund on the statements of net assets as at August 31, 2008 and 2007, the statements of operations, changes in net assets and cash flows for the years then ended and the statement of investment portfolio as at August 31, 2008. Our report is dated October 27, 2008.

(Signed) PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Chartered Accountants, Licensed Public Accountants

Toronto, Ontario
December 24, 2008

CERTIFICATE OF THE FUND

Dated: December 24, 2008

This prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of Ontario.

(Signed) John Michael Anthony Richardson
Chief Executive Officer

(Signed) Thomas William Robert Lunan
Chief Financial Officer

On behalf of the Board of Directors of Axis Investment Fund Inc.

(Signed) George Russell Paterson
Director

(Signed) Jocelyne Marguerite Marie Côté-O'Hara
Director

CERTIFICATE OF THE MANAGER

Dated: December 24, 2008

This prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of Ontario.

(Signed) John Michael Anthony Richardson
President
(signing in the capacity of Chief Executive Officer)

(Signed) Thomas William Robert Lunan
Vice-President
(signing in the capacity of Chief Financial Officer)

On behalf of the Board of Directors of B.E.S.T. Investment Counsel Limited

(Signed) Richard Alexander Brown
Director

(Signed) David Rodney Kenneth Bernard
Director

AXIS

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