BRITISH COLUMBIA DISCOVERY FUND (VCC) INC.

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INFORMATION CIRCULAR
(As at and dated May 22, 2020, except as otherwise indicated)

Solicitation of Proxies

This information circular (the "**Circular**") is furnished in connection with the solicitation of proxies on behalf of the management of British Columbia Discovery Fund (VCC) Inc. (the "**Fund**") for use at the Annual General and Special Meeting of the shareholders of the Fund (the "**Meeting**") to be held at #2500 – 700 West Georgia Street, Vancouver, British Columbia, on Wednesday, June, 24, 2020 at 10:00 a.m. (Pacific time), and any adjournment(s) or postponement(s) thereof, at the time and place and for the purposes set forth in the accompanying Notice of Meeting. While it is expected that the solicitation will be made primarily by mail, proxies may also be solicited personally or by telephone or verbal communication by the directors and officers of the Fund or their representatives. All costs of solicitation on behalf of management of the Fund will be borne by the Fund.

Record Date and Notice

The board of directors of the Fund (the "**Board**") has set May 15, 2020 as the record date (the "**Record Date**") for determining which shareholders will be entitled to receive notice of and to vote at the Meeting. Holders of class A common shares ("**Class A Shares**") of the Fund ("**Shareholders**") who are registered Shareholders as of the close of business on the Record Date will be entitled to receive notice of, and to vote at, the Meeting.

Appointment and Revocation of Proxies

An instrument appointing a proxy must be in writing and must be executed by the Shareholder or his or her attorney authorized in writing or, if the Shareholder is a corporation, by a duly authorized officer or attorney.

The persons named as proxy holders in the enclosed proxy are officers and directors of the Fund and were designated by the directors of the Fund. **A Shareholder submitting a proxy has the right to appoint a person (who need not be a Shareholder) to represent the Shareholder at the Meeting, other than the person or persons designated in the proxy furnished by the Fund. To exercise this right, the Shareholder must either insert the name of his or her desired representative in the blank space provided in the proxy or submit another proxy.**

A proxy will not be valid unless it is deposited at #43-1238 Eastern Drive, Port Coquitlam, BC V3C 6C5, not less than forty-eight (48) hours (excluding Saturdays, Sundays and holidays) before the time fixed for the Meeting, or any adjournment(s) or postponement(s) thereof. The Chairman of the Meeting has the discretion to accept proxies after such deadline.

A person giving a proxy has the power to revoke it. In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the Shareholder or by his or her attorney authorized in writing, and delivered to #43-1238 Eastern Drive, Port Coquitlam, BC V3C 6C5, at any time up to and including the last business day preceding the day of the Meeting, or any adjournment(s) or postponement(s) thereof, at which such proxy is to be used, or to the Chairman of the Meeting on the

day of the Meeting, or any adjournment(s) or postponement(s) thereof, and upon either of such deliveries the proxy shall be revoked. A revocation of a proxy does not affect any matter on which a vote has been taken prior to the revocation.

Voting of Proxies

Unless specifically directed in a proxy to withhold the shares represented thereby from a ballot or show of hands, the persons designated in the enclosed proxy will vote the shares represented by the proxy on each ballot or show of hands. Where a choice with respect to any matter to be acted upon has been specified in the proxy, the shares will be voted in accordance with the specifications so made. **In the absence of any instructions on a proxy or if such instructions are unclear, shares represented by the proxy will be voted in favour of all matters proposed for approval at the Meeting as stated in the Notice of Meeting and in this Circular**.

The enclosed proxy, when properly completed and delivered by a Shareholder and not revoked, confers discretionary authority upon the person appointed proxy therein to vote with respect to amendments or variations to matters referred to herein and with respect to other matters which may properly come before the Meeting. In the event amendments or variations to matters referred to herein are properly brought before the Meeting, or any further matter or other business is properly brought before the Meeting, it is the intention of the persons designated in the enclosed proxy to vote in accordance with their best judgment on such matters or business. At the time of printing of this Circular, management of the Fund knows of no such amendment, variation or other matter which may be presented at the Meeting.

Voting Securities and Principal Holders of Voting Securities

The authorized capital of the Fund consists of 500,000,000 Class A Shares without par value, of which 4,290,930.75393 shares were issued and outstanding on May 15, 2020, and an unlimited number of Class B common shares, of which none are issued and outstanding. (In addition, the authorized capital consists of an unlimited number of Class C, Class D and Class E common shares issuable in series, which may have rights and restrictions as the directors of the Fund may determine, and none of which have ever been issued.) The currently outstanding Class A Shares are entitled to dividends as and when declared by the Board and to one vote per share at meetings of the Fund.

Under the Articles of the Fund, quorum for the Meeting is two (2) persons entitled to vote, being present in person or by proxy, and representing not less than 5% of the issued and outstanding common shares of the Fund. If, within one-half hour from the time set for the Meeting, quorum is not present, the Meeting will be adjourned to the same day in the next week at the same time and place. If, within one-half hour from the time set for the adjournment, quorum is not present, those persons present in person or by proxy will constitute quorum.

To the knowledge of the directors and senior officers of the Fund, as at the date of this Circular, no person has direct or indirect beneficial ownership of, control or direction over, or a combination of direct or indirect beneficial ownership of and control or direction over voting securities that constitute more than 10% of the issued and outstanding Class A Shares.

ELECTION OF DIRECTORS

The directors of the Fund are elected annually and hold office until the next annual general meeting of Shareholders or until their successors are appointed. The Board presently consists of four (4) directors and the directors have set four (4) directors as the number of directors to be elected for the ensuing year.

Unless authority to do so is withheld, the persons designated in the enclosed proxy intend to vote for the nominees of management listed below. Management does not contemplate that any of the nominees will be unable or unwilling to serve as a director but, if for any reason, any of them should be unable or unwilling to serve, it is intended that the shares represented by the proxies given pursuant to this solicitation will be voted for such substitute nominee or nominees as may be nominated by management, unless authority to vote such shares in the election of directors is withheld.

The following table sets out the names of those persons nominated by management for election as directors of the Fund, the municipality in which each of them is ordinarily resident, all offices of the Fund now held by each of them, the present principal occupation and the principal occupations for the last five years of each of them, the period of time for which each of them has been a director of the Fund, and the number of Class A Shares beneficially owned by each of them, directly or indirectly, or over which each of them exercises control or direction, as at the date hereof.

Name & Position with the Fund and Municipality of Residence	Principal Occupation and Position During the Last Five Years	Date First Appointed as a Director of the Fund	Number of Class A Shares Beneficially Owned, or over which Control or Direction is Exercised
John McEwen[(1)(2)] Chief Executive Officer and Secretary Naramata, BC	CEO of Discovery Capital Management Corp.	November 6, 2002	3,845
Harry Jaako President Vancouver, BC	President of Discovery Capital Management Corp.	November 6, 2002	9,964
Neal Clarance[(1)(2)] North Vancouver, BC	Consultant, President of NG Clarance Inc. (2014 – present)	December 14, 2016	Nil
Derek Spratt[(1) (2)] Vancouver, BC	Partner and MD, Scale UP Ventures (2017 – 2019) President and Secretary, MTI General Partner Inc. (2015 – present) President, Secretary and General Partner, MTI Limited Partnership (2015 – present) Director DMP Holdings Ltd, a wholly-owned inactive subsidiary of MTI LP (2015 – present) CEO, Mobidia Technology Inc. (2008 – 2015)	June 8, 2017	Nil

Notes:
(1) Member of the Audit Committee.
(2) Member of the Investment Committee.

Assuming that each of the nominees is elected to the Board, the independent members of the Board will be Neal Clarance and Derek Spratt (the "**Independent Directors**"). These Independent Directors are not employees or officers of the Fund, or directors, officers or employees of Discovery Capital Management Corp. (the "**Manager**"), or associates of any such persons. Each of them, but for being directors of the Fund, deal with the Fund at arm's length for the purposes of the *Income Tax Act* (Canada).

Cease Trade Orders and Bankruptcies

John McEwen was a director of EvidencePix Systems Inc., a private portfolio company of the Fund, which made a proposal to creditors under the *Bankruptcy and Insolvency Act* on April 10, 2015.

Harry Jaako was a director and Chairman of Paradigm Environmental Technologies Inc. ("**Paradigm**"), a portfolio company of the Fund, which was placed in receivership by its creditors in June 2014. The remaining assets of Paradigm were sold in 2015, with a final distribution of funds made by the receiver to secured creditors in 2016.

Recommendation

The Board unanimously recommends that the Shareholders vote to approve the Director Election Resolution, and the persons named in the enclosed form of proxy intend to vote **FOR** the approval of the Director Election Resolution at the Meeting unless otherwise directed by the Shareholders appointing them.

APPOINTMENT OF AUDITORS

Management proposes to re-appoint Hay & Watson Chartered Professional Accountants ("**Hay & Watson**") of Vancouver, British Columbia as auditors of the Fund for the ensuing year. Hay & Watson has been the Fund's auditors since April 2014. Pursuant to the Articles of the Fund, the Board may determine, in its absolute discretion, the remuneration to be paid to the auditors.

Recommendation

The Board unanimously recommends that the Shareholders vote to approve the Appointment of the Auditor Resolution, and the persons named in the enclosed form of proxy intend to vote **FOR** the approval of the Appointment of the Auditor Resolution at the Meeting unless otherwise directed by the Shareholders appointing them.

EXECUTIVE COMPENSATION

Compensation of Executive Officers

The Fund has paid no compensation to its executive officers for acting in such capacities since the Fund's date of incorporation on November 6, 2002. (See "*Management Contracts*" below for disclosure of compensation for fund management services provided by the Manager.) The Fund has no long-term incentive plans or other employment contracts with or compensatory plans or arrangements for its executive officers.

Option-based and Share-based Awards

The Fund has granted no option-based or share-based awards to its executive officers.

Compensation of Directors

In 2019, the Fund paid each of its Independent Directors an annual retainer of $12,000.00 and a fee of $600.00 for each meeting of the Board attended and for each meeting of a committee of the Board attended, except where a committee meeting is coincident with a meeting of the Board.

The Fund currently has two Independent Directors, Mr. Neal Clarance and Mr. Derek Spratt. In respect of the financial year ended December 31, 2019, fees paid or payable by the Fund to Mr. Neal Clarance were $13,800.00 and to Mr. Derek Spratt were $13,800.00.

All directors are entitled to be reimbursed for reasonable expenses incurred on behalf of the Fund. There are no option-based or share-based awards or other incentive or compensation plans or arrangements in respect of the directors.

Refer to "Particulars of Regular Annual and Special Meeting Matters – Approval of Fees to Independent Directors" below, for particulars of the special resolution which, as required under the provisions of the *Small Business Venture Capital Act* (British Columbia) (the "**SBVCA**"), the Shareholders will be requested to approve at the Meeting.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No director or executive officer of the Fund and no associate of any such person is or has, since its inception, been indebted to the Fund.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as set forth under "Management Contracts" and "Particulars of Regular Annual and Special Meeting Matters – Approval of Management Fees" below, no informed person or proposed director of the Fund and no associate or affiliate of any such person has, since the commencement of the most recently completed financial year of the Fund, had, directly or indirectly, any material interest in any transaction which materially affected the Fund or has, directly or indirectly, any material interest in any proposed transaction which would materially affect the Fund.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Except as set forth under "Particulars of Additional Matters to be Acted Upon" below, no director or executive officer of the Fund and no proposed nominee for election as a director of the Fund and no associate or affiliate of any such person, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon, other than the election of directors.

MANAGEMENT CONTRACTS

The Fund has an agreement with the Manager, which was amended and restated as of January 1, 2004, renewed and further amended as of January 1, 2011, and further amended on June 13, 2011 (the "**Management Agreement**"), pursuant to which the Manager provides management services to the Fund. These services include identifying and evaluating eligible small businesses that meet the investment policies of the Fund and that meet the investment requirements of and do not violate the investment restrictions of

the SBVCA; structuring and negotiating prospective investments; monitoring the financial and operating performance of investee companies, and determining the timing, terms and method of disposing of the Fund's investments in its investee companies with or without the approval of the Investment Committee or the Board, as may be applicable; and ensuring that appropriate accounting, bookkeeping and clerical records are maintained with respect to the operations of the Fund.

The name, municipality of residence and position of each of the directors and officers of the Manager are:

Name and Municipality of Residence	**Position with the Manager**
HARRY JAAKO Vancouver, British Columbia	Director, President, Venture Investment Manager and principal shareholder
JOHN MCEWEN Naramata, British Columbia	Director, Chief Executive Officer, Venture Investment Manager and principal shareholder
CHARLES COOK North Vancouver, British Columbia	Director, Vice-President, Chief Financial Officer, Venture Investment Manager and principal shareholder

The management services provided by the Manager under the Management Agreement include the overall day-to-day management of the Fund, including, without limitation but only to the extent still relevant given that the Fund is no longer raising new capital or making new investments:

- seeking out and investigating opportunities for the Fund to invest in Eligible Small Businesses that meet the investment requirements of and do not violate the investment restrictions of the SBVCA;

- analyzing and researching identified Eligible Small Business investment opportunities to determine whether the prospective investments meet the investment criteria of the Fund and would be desirable for the Fund to make;

- negotiating and structuring, for and on behalf of the Fund, the terms and conditions under which prospective investments would be made by the Fund, subject to approval of the Board or the Investment Committee;

- preparing a recommendation regarding a potential investment to the Board or the Investment Committee, as applicable, sufficient for the potential investment to be evaluated and a determination made as to whether or not to approve it;

- preparing and submitting to prospective portfolio companies, for and on behalf of the Fund, offers to invest, setting out the terms and conditions under which the Fund would be prepared to invest, and using its best efforts to obtain acceptance of such offers;

- arranging for and obtaining, where necessary in the reasonable opinion of the Manager, appropriate professional industry and marketing studies, operational analyses, executive searches and other professional advisory services in respect of portfolio companies and prospective portfolio companies;

- monitoring the financial and operating performance of portfolio companies, including monitoring their cash management, financial reporting, budgetary processes and execution of corporate and product strategies, through, where warranted and practicable, but not exclusively through,

representation on their boards of directors or other controlling entities, and providing reviews thereof to the Board;

- preparing a recommendation regarding a disposition of all or part of a particular investment to the Board or the Investment Committee, as applicable, sufficient for the potential disposition to be evaluated and a determination made as to whether or not to approve it;

- using best efforts to effect, for and on behalf of the Fund, those dispositions of investments that have been approved by the Investment Committee or the Board;

- assisting the Board and/or the Audit Committee and/or such administrator or other consultant engaged by the Fund as may from time to time be responsible therefor, in establishing the Pricing Net Asset Value of the Fund on each Valuation Date;

- ensuring that appropriate accounting, bookkeeping and clerical records are maintained and preserved with respect to the affairs and operations of the Fund;

- ensuring that a system of accounting is established, maintained and administered in accordance with Canadian generally accepted accounting principles, consistently applied;

- ensuring compliance by the Fund with the SBVCA, the *Securities Act* (British Columbia), the *Business Corporations Act* (British Columbia) ("**BCBCA**") and the *Income Tax Act* (Canada) and with all reporting requirements imposed on the Fund by all applicable federal, provincial and municipal regulatory authorities, statutes, regulations and by-laws; and

- carrying out those residual functions with respect to the day-to-day operations of the Fund that are not of the nature of those required to be carried out by the Board, the Investment Committee, the Audit Committee or any Administrator or Depositary which the Fund may from time to time engage.

Under the Management Agreement, the Manager is entitled to be paid, subject to such SBVCA expense limitations as may be applicable, an annual management fee (the "**Management Fee**") equal to 2.75% of the "Pricing Net Asset Value of the Fund" up to $100 million and 2.50% of the "Pricing Net Asset Value of the Fund" in excess of $100 million. The "**Pricing Net Asset Value of the Fund**" is the value used by the Fund to calculate the price at which it formerly issued and will redeem shares. The Management Fee is calculated monthly, by multiplying the Pricing Net Asset Value of the Fund on the last trade date in the month in respect of which the fee is payable by the applicable percentage and dividing by twelve, and is paid, in arrears, on receipt of the Manager's invoice therefor, if then permitted, or at such later time (if any) as the SBVCA expense limitations may permit. Under the Management Agreement, the Manager will also, subject to such SBVCA expense limitations as may be applicable, be paid a performance fee equal to 20% of the realized gains for cash and cash income from each venture investment of the Fund (the "**Performance Fee**"). Before a Performance Fee is paid on any venture investment, the following conditions must be satisfied:

1) the total net realized and unrealized gains and income of the Fund from its portfolio of venture investments since its inception must have generated a return greater than the annualized average rate of return on five year guaranteed investment certificates offered by a major Canadian chartered bank plus 2% per annum;

2) the compounded annual internal rate of return (including realized and unrealized gains and income) from the venture investment since its acquisition by the Fund must equal or exceed 10% per year; and

3) the Fund must have fully recouped (by way of disposition proceeds, dividends, interest, and otherwise) an aggregate cash amount equal to all principal invested in the investment.

This Performance Fee will be calculated and paid quarterly in arrears, if permitted, or will be paid at such later time (if any) as the SBVCA expense limitations may permit. Once paid, any Performance Fee paid by the Fund will not be refundable by the Manager as a result of a subsequent decline in the unrealized gains on venture investments of the Fund.

The Management Agreement pursuant to which management services, support services and capital raising assistance are provided to the Fund by the Manager has been renewed and amended effective June 13, 2011 (the "**Renewed Agreement**"). Pursuant to the amendments, the Management Agreement may be terminated by the Fund at any time by special resolution of the Shareholders at a meeting called for the purpose of considering the termination of the Manager. Previously, the Management Agreement renewed automatically at the end of each four year term for further successive terms of four years unless the Shareholders resolved by special resolution to terminate the engagement of the Manager at the expiry of any term. Pursuant to the Renewed Agreement, termination of the Manager is effective as of the date on which the Fund pays the Manager a fee (subject to any applicable SBVCA expense limitations) in respect of such termination equal to 24 times the average monthly management fee paid to the Manager in each of the three months immediately preceding the month in which the resolution approving the termination of the Manager is passed by Shareholders (the "**Severance Fee**"). In the event of termination, the Manager will also continue to receive (subject to any applicable SBVCA expense limitations) a 20% Performance Fee in respect of investments held by the Fund on the effective date of such termination as well as a reduced 10% Performance Fee on follow-on investments made by the Fund subsequent to the termination date in investee companies in which the Fund holds an investment on the termination date. Previously, the Management Agreement provided that a 20% Performance Fee was payable to the Manager in respect of each of the eight quarters following the quarter in which the engagement of the Manager was terminated.

The Manager may terminate the Management Agreement in certain circumstances and the Fund may terminate the Management Agreement on grounds such as material breach of the agreement by the Manager without remedy within 60 days of the Manager being notified of the breach. The Fund has agreed to indemnify the Manager in respect of any claims resulting from any mistakes or errors of judgment or from any act or omission of the Manager in carrying out its duties under the Management Agreement, provided, however, that the Manager will not be indemnified for any claim, as determined by a court of final jurisdiction, resulting from the negligence or willful misconduct or willful disregard of the obligations of the Manager.

The Articles of the Fund currently prohibit the Fund from paying any fees or other remuneration to the Manager, unless payment thereof has been approved by an annual Special Resolution passed by the Shareholders. This will remain the case until each person of whom the Manager may be or be deemed to be an associate ceases to be a director, officer and/or Shareholder of the Fund. Failure of the Fund to pay any of the fees and/or other remuneration provided for under the Management Agreement as a result of the Shareholders not having passed the requisite Special Resolution regarding payment thereof will not constitute a breach of the Management Agreement. If the Shareholders fail to approve payment of any of the fees and/or other remuneration provided for under the Management Agreement, the applicable fees and/or other remuneration will continue to accrue, with interest, until the matter is resolved.

The fees provided under the Management Agreement are intended to cover all of the expenses incurred by the Manager in managing the Fund, except travel expenses and expenses incurred by the Manager to obtain such specialized legal, accounting and/or other consulting and/or professional services, to attend such specialized conferences and/or trade shows, and to obtain such specialized research reports, industry and marketing studies, operational analyses, executive searches and other professional advisory studies and/or other specialized information as the Manager may from time to time be required to obtain and/or to attend in order to be able to effectively research and analyze potential investment and divestiture opportunities available to the Fund and/or effectively manage the investment portfolio of the Fund, which will, subject to any applicable SBVCA expense limitations, be paid or reimbursed by the Fund. The Manager is also, subject to any applicable SBVCA expense limitations, separately reimbursed for all expenses incurred by the Manager in providing such marketing, governance, shareholder reporting and securities distribution support services and/or assistance with capital raising activities as the Board may from time to time request the Manager to provide.

The Fund pays all of its operating expenses, including all expenses related to portfolio transactions, security realization, regulatory compliance and information dissemination, asset valuations, financial and other reporting to shareholders and other governance and administrative services, and all taxes, legal and audit fees, custodial fees (if any), registrar and transfer agency fees, directors' fees and expenses, consultants' and professional advisors' fees, servicing commissions to dealers, certain overhead expenses, as well as the fees and expense amounts payable to or for the Manager under the Management Agreement, and, where any such registrar, transfer agency and/or shareholder reporting services and/or other governance and administrative services are provided by an administrator engaged by the Fund, the fees and expenses of such administrator.

In respect of the year ended December 31, 2019, management fees of $441,724 (exclusive of GST) were paid or payable by the Fund pursuant to the Management Agreement. For the year ended December 31, 2019, performance fees of $333,881 were paid to the Manager.

The Manager is an associate (within the meaning ascribed to that term in the SBVCA) of Harry Jaako and John McEwen, directors and officers of the Fund, and of Charles Cook, officer of the Fund. The payment of any compensation to the Manager is, accordingly, subject to Article 27.1 of the Articles of the Fund, which prohibits the Fund from paying any fees or remuneration of any kind to any shareholder, director or officer of the Fund, or to any affiliate or associate of such persons, except as permitted by special resolution (as defined under the SBVCA) of the Shareholders passed at least annually. A person who is receiving or is proposed to receive any fees or remuneration from the Fund or whose affiliate or associate is receiving or is proposed to receive any fees or remuneration, is not entitled to vote on the special resolution which seeks to approve or ratify payment of those fees or that remuneration.

PARTICULARS OF REGULAR ANNUAL GENERAL AND SPECIAL MEETING MATTERS

Approval of Fees to Independent Directors

The payment of compensation to the directors of the Fund is governed by the provisions of the SBVCA and subject to Article 27.1 of the Articles of the Fund which prohibits the Fund from paying any fees or remuneration of any kind to any shareholder, director or officer of the Fund, or to any affiliate or associate of such persons, except as permitted by special resolution of the Shareholders passed at least annually. Accordingly, payments made or to be made to directors must be approved by a majority of not less than 50% of the votes cast at the Meeting by Shareholders (other than those directors who have received fees or remuneration) who vote at the Meeting, whether in person or by proxy. In this regard, a total of nil shares will be withheld from voting at the Meeting.

In compensation for their services, the Independent Directors have each been paid an annual retainer of $12,000.00 and a fee of $600.00 for each meeting of the Board attended and for each meeting of a committee of the Board attended, except where a committee meeting is coincident with a meeting of the Board. A total of $28,650.00 (which includes expenses related to the Fund's portion of CPP payable) was paid or payable for directors' fees and expenses in respect of the financial year of the Fund ending December 31, 2019.

Shareholders will be asked at the Meeting to consider and, if thought fit, to pass a special resolution approving payment, as described above, to the Independent Directors for directors' fees in respect of the financial year of the Fund ending December 31, 2020 (the "**Approval of Independent Directors' Remuneration Resolution**").

Recommendation

The Board, excluding the Independent Directors, unanimously recommends that the Shareholders vote to approve the Approval of Independent Directors' Remuneration Resolution, and the persons named in the enclosed form of proxy intend to vote **FOR** the approval of the Approval of Independent Directors' Remuneration Resolution at the Meeting unless otherwise directed by the Shareholders appointing them.

Resolution

The full text of the Approval of Independent Directors' Remuneration Resolution is set out below:

BE IT RESOLVED, as a special resolution pursuant to the provisions of the *Small Business Venture Capital Act*, that payment by the Fund to those directors who are the independent directors of the Fund of any and all fees and expenses and remuneration of any kind in accordance with their services as directors to be incurred in respect of the financial year ending December 31, 2020, is hereby approved.

Approval of Fees pursuant to the Management Agreement

Pursuant to the Management Agreement, the management services provided by the Manager under the Management Agreement include the overall day-to-day management of the Fund. These services include identifying and evaluating eligible small businesses that meet the investment policies of the Fund and that meet the investment requirements of and do not violate the investment restrictions of the SBVCA; negotiating and structuring prospective investments; preparing recommendations on such investments to the Investment Committee or the Board, as may be applicable; monitoring the financial and operating performance of investee companies, and determining the timing, terms and method of disposing of the

Fund's investments in its investee companies with or without the approval of the Investment Committee or the Board, as may be applicable; and ensuring that appropriate accounting, bookkeeping and clerical records are maintained with respect to the operations of the Fund. For the year ended December 31, 2019, the Fund incurred $441,724 (exclusive of GST) in management fees to the Manager for such services, in accordance with the provisions for the payment of annual management fees under the Management Agreement.

Pursuant to the Management Agreement, performance fees become payable to the Manager, subject to satisfaction of certain conditions, on the realized gains for cash and cash income from each venture investment of the Fund. For the year ended December 31, 2019, performance fees totaling $333,881 were paid or payable to the Manager.

Pursuant to the Management Agreement, the Manager had also agreed to provide the Fund such support services as the Board requested from time to time and the Fund would reimburse the Manager for all expenses (including personnel costs) which the Manager incurred in providing such support services. In 2019, such services performed by the Manager included preparation, sending and filing of financial statements, shareholder reports, press releases and regulatory documents; and provision of certain corporate governance services. During the year ended December 31, 2019, the Manager did not request the Fund to reimburse it for the provision of these services and consequently the Fund did not incur any expenses payable to the Manager in respect of these services. However, the Manager will request the Fund to reimburse it for such services in 2020 and in any applicable future periods.

As noted above under "Management Contracts", under the SBVCA, payment of fees or remuneration to the Manager is subject to the approval by special resolution of the Shareholders, excluding those Shareholders of which the Manager is an associate or affiliate. Accordingly, payments made or to be made to the Manager must be approved by a majority of not less than 50% of the votes cast at the Meeting by Shareholders, other than the aforementioned persons, who vote at the Meeting, whether in person or by proxy. In this regard, a total of 16,642 Class A shares will be withheld from voting at the Meeting.

Shareholders will be asked at the Meeting to consider and, if thought fit, to pass a special resolution approving payment to the Manager of management fees and any other fees and expenses incurred in accordance with the provisions of the Management Agreement in respect of the financial year of the Fund ending December 31, 2020 (the "**Approval of Management Fee Resolution**").

Recommendation

The Independent Directors unanimously recommend that the Shareholders vote to approve the Approval of Management Fee Resolution, and the persons named in the enclosed form of proxy intend to vote **FOR** the approval of the Approval of Management Fee Resolution at the Meeting unless otherwise directed by the Shareholders appointing them.

Resolution

The full text of the Approval of Management Fee Resolution is set out below:

BE IT RESOLVED, as a special resolution pursuant to the provisions of the *Small Business Venture Capital Act*, that payment by the Fund to Discovery Capital Management Corp. of any and all fees and expenses and remuneration of any kind in accordance with the provisions of the Management Agreement between the Fund and Discovery Capital Management Corp., amended and restated as of June 13, 2011, for the financial year ending December 31, 2020, is hereby approved.

PARTICULARS OF THE PROPOSED WINDUP

At the Meeting, the Shareholders will be asked to consider, and if thought advisable, to approve resolutions terminating the Management Agreement and authorizing payment of the Severance Fee (the "**Management Termination Resolution**") and the voluntary liquidation and winding up of the Fund under Part 10 of the BCBCA (the "**Voluntary Liquidation Resolution**"), including resolutions to appoint Bowra Group Inc. as liquidator and to authorize the Board to set the remuneration of the liquidator together with, a resolution to approve the making of an application to the British Columbia Securities Commission ("**BCSC**") to cease to be a reporting issuer (the "**Ceasing to be a Reporting Issuer Resolution**"); a resolution pursuant to the SBVCA, approving the Fund's voluntary cancellation of its registration under the SBVCA (the "**Cancellation of SBVCA Registration Resolution**"); a resolution to approve the change of name of the Fund by deleting "VCC" from it, and amending the Articles of the Fund to delete certain SBVCA-specific provisions in the Articles (the "**Name Change Resolution**"); and a resolution to reduce the capital of the Fund pursuant to Section 74 of the BCBCA (the "**Reduction of Capital Resolution**"). Collectively, these resolutions comprise the "**Windup Resolution**", the implementation of which will result in the orderly windup of the Fund (the "**Windup**").

The Windup Resolution will be required to be passed by a majority of not less than 75% of the votes cast at the Meeting by those Shareholders entitled to vote on the resolution. The Management Termination Resolution is required by the provisions of the Management Agreement to be passed by a majority of not less than 75% of the votes cast at the Meeting by those Shareholders entitled to vote on the resolution. The directors, officers, and insiders of the Fund who are Shareholders have agreed that their votes with respect to the Class A Shares of the Fund held by them shall be excluded for purposes of calculating whether the vote in favour thresholds for approval of each resolution, including the Windup Resolution, have been achieved.

The implementation of the Windup also requires that all necessary regulatory approvals and clearances be obtained. This includes the approval of the BCSC for the Fund to cease being a reporting issuer on terms acceptable to the Fund. If such regulatory approvals are obtained on terms acceptable to the Fund and the Windup Resolution is approved, then the Fund intends to proceed with the Windup as follows:

1. The Fund will make application to the BCSC requesting that the Fund cease to be a reporting issuer. If obtained, the Fund will be relieved of the administrative cost and burden of ongoing reporting issuer compliance costs. From that point, Shareholders will no longer receive the benefits of continuous disclosure from the Fund or other regulatory protections afforded shareholders of reporting issuers and the Class A Shares will be subject to trading restrictions. For a more detailed discussion, see "*Ceasing to be a Reporting Issuer Resolution"* below.

2. The Fund will pay and satisfy its other debts and liabilities from its current assets (cash on hand and receivables), and will estimate the additional expenses required to complete the voluntary liquidation and winding up of the Fund under Part 10 of the BCBCA (the "**Voluntary Liquidation**"); and will set aside such funds by establishing a reserve for these future expenses (the "**Liquidation Expense Reserve**"). Such Liquidation Expense Reserve is currently expected to be $300,000, but could increase if complexities and delays are encountered.

3. To the extent that the Fund's cash position permits, after paying its liabilities, including the Severance Fee and the SBVCA Liability (as defined below), and providing for the Liquidation

Expense Reserve, the Fund will declare and give effect to a distribution by way of reduction of capital pursuant to Section 74 of the BCBCA.

4. The Fund will provide notice to the administrator of the SBVCA (the "**SBVCA Administrator**") confirming that it has, pursuant to section 24 of the SBVCA, passed special resolutions requesting cancellation of its registration and changing its name to delete "(VCC)" from it. The Fund will concurrently pay any outstanding amount of tax credit liability pursuant to the SBVCA (the "**SBVCA Liability**"). Upon providing such notice to the SBVCA Administrator and the making of such payment, the SBVCA Administrator must cancel the registration of the Fund as a "venture capital corporation". The Fund will thereafter be relieved of the administrative cost and burden of ongoing compliance with SBVCA requirements. For a more detailed discussion, see "*Cancellation of SBVCA Registration and Name Change Resolutions"* below.

5. The Fund will give effect to the Name Change Resolution by changing the name of the Fund by deleting "(VCC)" from it, and amending the Articles of the Fund to delete certain provisions in the Articles specific to the SBVCA. For a more detailed discussion, see "*Cancellation of SBVCA Registration and Name Change Resolutions"* below.

6. The Fund will pay the Severance Fee and terminate the Management Agreement.

7. The Bowra Group Inc., as liquidator of the Fund (the "**Liquidator**"), will take control of the Fund with the power to manage the business and affairs of the Fund , and at that time the powers of the directors and officers will cease (the "**Commencement of the Liquidation**"). The Fund will cease to carry on business except to the extent necessary or advisable for the Voluntary Liquidation, but its corporate existence will continue until the Voluntary Liquidation process has been completed and the Registrar under the BCBCA has issued a certificate of dissolution.

8. Until the Fund is formally dissolved, the corporate status and the powers and capacity of the Fund continue via the Liquidator. The Liquidator will be authorized to sell or otherwise deal with all the assets of the Fund in accordance with the plan described in this Circular, the BCBCA, and any orders of a Court applicable to the Voluntary Liquidation; and to pay all the Fund's creditors and then distribute all remaining funds to the Shareholders once all liabilities have been discharged.

For details of each of the individual resolutions comprising the Windup Resolution, see the discussion below of each such individual resolution.

If the Windup Resolution is not approved, the Fund will continue to operate in the ordinary course as a venture capital corporation under the SBVCA and as a reporting issuer under the BCSC, with ongoing obligations to pay the Management Fee.

Recommendation and Reasons for Recommendation

The Board unanimously recommends that the Shareholders vote to approve the Windup Resolution and all related resolutions necessary or desirable to give effect to such orderly Windup set forth in this Circular (the "**Related Resolutions**"), and the persons named in the enclosed form of proxy intend to vote **FOR** the approval of the Windup Resolution and the Related Resolutions at the Meeting unless otherwise directed by the Shareholders appointing them.

In making their recommendation to Shareholders to vote in favour of the Windup Resolution and the Related Resolutions, the Board and the Independent Directors considered a number of factors, including the best interests of the Fund and anticipated benefits and costs to Shareholders of the Windup relative to

the benefits and costs to Shareholders of continuing to operate the Fund in the ordinary course under the Management Agreement.

In order to proceed with the Windup, the Management Agreement must be terminated, requiring payment of the Severance Fee, but relieving the Fund of ongoing obligations to pay Management Fees for upcoming years. Pursuant to the Windup, the Fund must pay the fees of the Liquidator, the Severance Fee and the SBVCA Liability.

The Board considered the Fund's budget for 2020 expenses which includes the substantial variable costs for the Management Fee and trailer fees, as well as the substantial recurring fixed costs of being a reporting issuer. If the Fund were to continue operations in the ordinary course under the Management Agreement, as a reporting issuer, it would continue to incur all compliance costs and other fixed costs of being a reporting issuer, estimated to be approximately $360,000 annually based on the 2020 budget which was determined by reference to the costs incurred in previous periods. Further, the Fund would incur variable and uncertain amounts for legal fees related to ongoing operations and compliance matters. These costs are avoided under the Windup, but the Fund incurs the Liquidator's Fees, the Severance Fee and the SBVCA Liability.

The following table prepared by Management of the Fund estimates the costs for the next two years of terminating the Management Agreement and carrying out the Windup under the direction of the Liquidator in comparison to the estimated costs for the next two years of continuing to operate in the ordinary course under the direction of the Manager under the Management Agreement:

Item	**Terminating the Management Agreement and proceeding with the Windup**	**Continuing to operate in the ordinary course under the Management Agreement**
Management Fee (variable)	N/A	$540,000
Severance Fee (one time)	$540,000	N/A
Compliance and Other Reporting Issuer Costs (fixed)	N/A	$720,000
Legal Fees (variable)	N/A	$80,000
SBVCA Liability	$100,000	N/A
Voluntary Liquidation Costs	$300,000	N/A
Total	$940,000	$1,340,000

The Board also considered the anticipated benefits to Shareholders of the Windup relative to continuing to operate in the ordinary course in terms of the estimated sale proceeds to be realized from the disposition of the portfolio of venture investments held by the Fund (the "**Portfolio Assets**").

Under its engagement letter with the Fund, the Liquidator has been directed, on behalf of the Shareholders, to carry out an orderly liquidation of the Portfolio Assets rather than an immediate liquidation at forced sale prices. Specifically, the Liquidator has been instructed to wait for and tender the Portfolio Assets into

liquidity events in the portfolio companies. Such liquidity events may include an offer to purchase, acquire (by way of merger, plan of arrangement, takeover or any similar business combination transaction) or exchange the securities that comprise the Portfolio Assets, a going-public transaction or sale of portfolio company or substantially all of its assets, or a secondary sale of securities representing Portfolio Assets to a third party (any of which, a "**Liquidity Event**"). This is essentially the same liquidation strategy as the Manager intends to deploy if Shareholders vote to retain the Management Agreement. Consequently, it is anticipated that the timing of achieving liquidity for Shareholders and the proceeds from the sale of Portfolio Assets will be similar under the two scenarios. If the liquidation process extends beyond two years, the Liquidator retains the discretion to accelerate dissolution of the Fund through a forced sale or distribution in kind of the residual Portfolio Assets.

Distributions to Shareholders under the Voluntary Liquidation will remain at the discretion of the Liquidator and no assurances can be given as to the amount and timing of distributions under the Voluntary Liquidation. Also, a number of factors could cause the net assets available for distribution to Shareholders upon dissolution to be lower than expected, including without limitation the following: (i) unanticipated fees or expenses incurred in connection with the Voluntary Liquidation; (ii) other unforeseen expenses, liabilities or obligations; or (iii) unforeseen changes in the operations or outlook in one or more of the Portfolio Assets that results in a decrease in the realizable value for a particular Portfolio Asset compared to its current estimated fair value. If the Fund's expenses, liabilities and obligations are higher than current estimates, or if any unforeseen expenses, liabilities or obligations arise, including material adverse events affecting the value of the Portfolio Assets, the actual amount distributed to Shareholders may be reduced.

The Fund has agreed, under its engagement letter with the Liquidator, to indemnify the Liquidator for all liabilities, losses, claims, demands and reasonable expenses, including but not limited to legal fees and expenses and internal management time and administrative costs, in connection with or arising out of its engagement, other than for any willful misconduct or gross negligence.

Further details regarding each Related Resolution comprising the Windup Resolution are set out below.

All of the directors of the Fund unanimously recommend that the Shareholders vote to approve the Windup Resolution and the Related Resolutions, and the persons named in the enclosed form of proxy intend to vote **FOR** the approval of the Windup Resolution and the Related Resolutions at the Meeting unless otherwise directed by the Shareholders appointing them.

The directors, officers, and insiders of the Fund who hold Class A Shares have agreed that their votes with respect to such Class A Shares shall be excluded for purposes of calculating whether the vote in favour thresholds for approval of each resolution have been achieved.

Resolution

BE IT RESOLVED, as a special resolution that:

1. the Windup Resolution, consisting of the Fund's termination of the Management Agreement, voluntary liquidation pursuant to Part 10 of the BCBCA (including the appointment of The Bowra Group Inc., as Liquidator, and the authorization of the Board to set the remuneration of the Liquidator), the making of an application to cease to be a reporting issuer, the cancellation of the Fund's SBVCA registration, the name change of the Fund, and the reduction of the capital of the Fund pursuant to Section 74 of the BCBCA, be and is hereby authorized and approved;

2. any director or officer of the Fund be and is hereby authorized, for and on behalf of and in the name of the Fund, to execute and deliver any documents and instruments and take any such actions as

such director or officer may determine to be necessary or desirable to implement this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such documents or instruments and the taking of any such actions;

3. any director or officer of the Fund be and is hereby authorized to make such amendments in order to satisfy the requirements of any regulatory authority without requiring further Shareholder approval and to fully carry out these resolutions subject to such amendments, additions, deletions and changes as any director or officer of the Fund may, in their sole discretion or as a requirement of a regulatory body, consider necessary or desirable, which includes abandoning the Windup, without further approval of the Shareholders; and

4. notwithstanding the approval of this resolution by the Shareholders, the Board is hereby authorized to revoke this resolution at any time prior to the Commencement of the Liquidation and not proceed with the Windup without further approval of the Shareholders if it determines at its discretion that it would be in the best interests of the Fund to do so, provided however that the Board shall not have the discretion to give effect to only some, and not all, of the resolutions constituting this omnibus Windup Resolution.

MANAGEMENT AGREEMENT TERMINATION

Pursuant to Section 3.1 of the Management Agreement, the Management Agreement continues and remains in effect until such time as the Shareholders resolve, by a special resolution, to terminate the engagement of the Manager. The Management Agreement further provides that no such termination is effective until the date on which the Fund pays the Manager the Severance Fee (the "**Termination Date**"). At the Meeting, Shareholders will be asked, as part of the Windup Resolution, to consider, and if thought advisable, to approve, (by a majority of 75% or greater of the votes cast by the Shareholders) a special resolution to terminate the engagement of the Manager (the "**Management Termination Resolution**").

Upon termination of the Manager, other than for cause, the Fund is required to pay to the Manager the Severance Fee. The Severance Fee is equal to 24 times the average monthly Management Fee paid to the Manager in each of the three months immediately preceding the month in which the Management Termination Resolution is passed (currently estimated to be approximately $540,000). Furthermore, Section 4.1(b)(ii) of the Management Agreement sets out that entitlements to Performance Fees continue after termination of the Management Agreement. Currently, no Performance Fee is expected to be earned or paid on or prior to the dissolution of the Fund.

The Board unanimously recommends that Shareholders vote in favour of the Management Termination Resolution. If the Management Termination Resolution is not approved, the Board cannot implement the Windup and the Fund will carry on in the ordinary course with the Manager continuing to manage the Fund pursuant to the Management Agreement.

Steps Involved in the Management Agreement Termination

If the Windup Resolution is approved by the Shareholders at the Meeting, the Manager will make application on behalf of the Fund for an order permitting it to cease to be a reporting issuer. If this order is granted on conditions acceptable to the Fund, then the Manager will give notice to the Administrator under the SBVCA cancelling the Fund's registration and pay the SBVCA Liability, establish the Liquidation Expense Reserve, and distribute excess cash to Shareholders as a return of capital. Then, immediately prior to the appointment of the Liquidator, the Fund will pay the Severance Fee to the Manager and the Management Agreement will terminate, at which time the Board of the Fund will resign and be replaced with the Liquidator.

Resolution

The full text of the Management Termination Resolution is set out below:

BE IT RESOLVED, as a special resolution that:

1. the Management Agreement between the Fund and the Manager be terminated; and

2. concurrently with the termination of the Management Agreement, the Fund pay the Severance Fee to the Manager.

VOLUNTARY LIQUIDATION

At the Meeting, the Shareholders will be asked to consider, and if thought advisable, approve the Voluntary Liquidation Resolution authorizing the voluntary liquidation and dissolution of the Fund pursuant to Part 10 of the BCBCA, appointing the Bowra Group Inc. as Liquidator and authorizing the Board of the Fund to set the remuneration of the Liquidator. The Board unanimously recommends that Shareholders vote in favour of the Voluntary Liquidation Resolution.

Overview of Voluntary Liquidation

The Board proposes that the Voluntary Liquidation pursuant to section 319(1) of the BCBCA will become effective upon the Commencement of the Liquidation.

The Voluntary Liquidation requires Shareholder approval by a special resolution of the Fund's Shareholders. In addition, Shareholder approval by ordinary resolution is required to appoint the Liquidator and to authorize the Board to set such Liquidator's remuneration. The Board has determined that the liquidation and dissolution described in this Circular, is advisable and in the best interests of the Fund, its Shareholders and its other stakeholders, and have approved the Voluntary Liquidation, which is to become effective and commence at the Commencement of the Liquidation, subject to the required Shareholder approval. The Board recommends that Shareholders vote in favour of the Voluntary Liquidation Resolution.

Voluntary Liquidation and Dissolution Procedure

If the Voluntary Liquidation is approved at the Meeting, the Fund will, as soon as practicable, file a statement of intent to liquidate with the British Columbia Registrar of Companies.

The Voluntary Liquidation will include the following:

1. The Bowra Group Inc. will be appointed the liquidator of the Fund for the purpose of the Voluntary Liquidation. The Liquidator will manage the liquidation of the Fund's Portfolio Assets, satisfying all claims and setting aside reserves for contingent claims of creditors. The Bowra Group Inc., as a person qualified to act as a receiver and a receiver manager under Section 64 of the *Personal Property Security Act* (British Columbia), is a qualified liquidator pursuant to Section 327 of the BCBCA.

2. From and after the Commencement of the Liquidation, the Liquidator will have the power to manage or supervise the management of the business and affairs of the Fund that were, before the appointment, held by the directors and officers of the Fund, and the powers of the directors and officers will cease, except so far as the Liquidator approves the continuation of them. From such point, all references in this Circular to powers or authority of the Fund, or to decisions to be taken,

or discretion to be exercised, by the Fund will refer to the Fund acting through the Liquidator in respect of all powers not required to be exercised by the Shareholders.

3. Effective as of the Commencement of the Liquidation, the Fund will cease to carry on its undertaking, except insofar as may be required or advisable for the Voluntary Liquidation in the discretion of the Liquidator, but its corporate existence will continue until the Voluntary Liquidation process has been completed and the British Columbia Registrar of Companies has issued a certificate of dissolution.

Following the Commencement of the Liquidation, the Liquidator will oversee the Voluntary Liquidation. The Liquidator's powers and authorities are derived from the BCBCA, and the terms of any order(s) issued by the Supreme Court of British Columbia (the "**Court**") pertaining to the Voluntary Liquidation.

Further details of the steps to be completed following the Commencement of the Liquidation at such time as the Liquidator or the Court, as applicable, deems necessary, appropriate or advisable, all in accordance with the BCBCA, are as follows:

- the issuance of a notice to the last known address of each creditor pursuant to Section 331 of the BCBCA;

- the publishing of such notice in the Gazette and in a newspaper that is distributed generally in Vancouver, British Columbia, the place where the Fund has its registered office. Such notice shall require (i) any person indebted to the Fund to render an account and pay the amount owing to the Liquidator; (ii) any person having custody or control of any property, rights or interest of the Fund to notify the Liquidator and to deliver those assets, or provide control of them, to the Liquidator; and (iii) any person with a claim against the Fund to provide particulars to the Liquidator within two months of the date of publication of the notice;

- the notification of those continuing to deal with the Fund that it is in liquidation and invoices, orders for goods and business letters shall state that the Fund is in liquidation;

- the payment of all proven claims and obligations known to the Fund, and the making of reserves as will be reasonably sufficient to provide compensation for any contingent claim, including, without limitation, the establishment and setting aside of a reasonable amount of cash and/or property to satisfy such contingent claims and other obligations of, the Fund;

- the establishment of a liquidation records office for the retention of certain records pursuant to Section 333 of the BCBCA;

- the liquidation of the Portfolio Assets in accordance with the plan of liquidation described below under the heading "*Liquidation of the Portfolio Assets*";

- the payment of all taxes and the application to the Canada Revenue Agency and other applicable governmental authorities for tax and other clearance certificates;

- in accordance with the BCBCA and any order of the Court, the pro rata distribution to registered shareholders of the remaining assets of the Fund after taking into account the payment or provision

for payment of proven claims and contingent claims against and obligations of the Fund and the expenses of the Voluntary Liquidation:

- the payment of proceeds to be paid to the Minister responsible for the Unclaimed Property Act (British Columbia) if a creditor or Shareholder cannot be located to receive its share of the Voluntary Liquidation proceeds;

- the preparation of final accounts of liquidation within three months after all of the Fund's assets have been distributed, and the Shareholders shall be notified that such accounts shall be available for inspection for a period of at least three months; and

- the winding up and dissolution of the Fund in accordance with Section 343 of the BCBCA.

Liquidation of the Portfolio Assets

Under its engagement letter with the Fund, the Liquidator has been directed, on behalf of the Shareholders, to carry out the Voluntary Liquidation in the manner described in this Circular and in accordance with the BCBCA and any order in respect of the Voluntary Liquidation issued by the Court. The plan involves an orderly liquidation of the Portfolio Assets rather than an immediate liquidation at forced sale prices. Specifically, the Liquidator will wait for and tender the Portfolio Assets into Liquidity Events in the portfolio companies. Such Liquidity Events may include an offer to purchase, acquire (by way of merger, plan of arrangement, takeover or any similar business combination transaction) or exchange the securities that comprise the Portfolio Assets, a going-public transaction or sale of portfolio company or substantially all of its assets, or a secondary sale of securities representing Portfolio Assets to a third party. If the liquidation process extends beyond two years, the Liquidator retains the discretion to accelerate dissolution of the Fund through a forced sale or distribution in kind of the residual Portfolio Assets.

It is not uncommon, where a company in liquidation has specialized assets, for a liquidator to engage former management of the company to assist in the monitoring or sale of those assets. However, no such arrangements have been put in place in respect of the Voluntary Liquidation.. If the Management Agreement is terminated, the current directors and officers of the Manager intend to seek alternative employment or business opportunities or to retire; and there are no assurances that they would be available, if requested, to assist the Liquidator.

Reporting to Shareholders

Pursuant to Section 330 of the BCBCA, the Liquidator must:

1. produce at least once in every 12 month period after the Liquidator's appointment, financial statements of the Fund in a form considered by the Liquidator to be appropriate; and

2. annually file with the registrar, instead of an annual report for the Fund, a liquidation report in the form established by the Liquidator containing information that is current to the most recent anniversary of the Fund’s incorporation..

Upon Commencement of the Liquidation, the Fund will cease to be a reporting issuer and, subject to the terms of the order approving the Fund ceasing to be a reporting issuer, annual meetings will not be held and Shareholders will no longer receive the continuous disclosure documents or financial statements required to be provided by reporting issuers under securities laws.

The Liquidator will provide updates to Shareholders from time to time on the progress of the liquidation and to inform them of the procedures to be followed to effect the distributions..

Any required reporting by the Liquidator pursuant to Section 330 of the BCBCA as set out above, as well as any additional updates that the Liquidator may provide, will be made available to Shareholders on the Liquidator's website at www.bowragroup.com. Shareholders should check the Liquidator's website regularly to ensure they are receiving all reports and updates from the Liquidator.

Enclosed with this Circular and the form of proxy that you received, is a Shareholder Information Form. If you would like to receive email notification of any of the communications, reporting, and updates from the Liquidator, please fill out the Shareholder Information Form with your email address and contact details, and return such Shareholder Information Form by return mail in the same envelope that you return your form of proxy to the Fund, at #43 – 1238 Eastern Drive, Port Coquitlam, BC V3C 6C5 or by email to info@discoverycapital.com.

Court's Role in the Voluntary Liquidation

At any point during the Voluntary Liquidation, the Court may make an order with respect to any of the matters listed in Section 325(3) of the BCBCA; for example: (1) giving directions on any matter arising in a liquidation; (2) an order, on the terms and conditions the Court considers appropriate, continuing, or staying or discontinuing, the liquidation; or (3) an order replacing or removing a liquidator.

Pursuant to section 325(1) of the BCBCA, a Shareholder of the Fund or a beneficial owner of a Class A Share, a director of the Fund, a creditor of the Fund or the Liquidator or any other person that the Court considers appropriate may make an application to the Court and the Court may make any order it deems necessary or appropriate in connection with the liquidation of the Fund.

Pursuant to Section 350 of the BCBCA, after the Fund has been dissolved, the Liquidator may make application to the Court to be discharged as liquidator. Such an application must include the final accounts of the liquidation. An order of the Court discharging the Liquidator discharges the Liquidator from all liability in respect of any act done or default made by the Liquidator in the administration of the affairs of the Fund or otherwise done by that person in the person's capacity as Liquidator but does not relieve the Liquidator from its statutory record-keeping obligations and may be revoked on proof that it was obtained by fraud, or by suppression or concealment of any material fact.

The Liquidator does not currently expect that it will be necessary to seek an order from the Court other than in respect of discharging of the Liquidator upon dissolution of the Fund. However, direction from the Court pursuant to orders is available if and when required.

Potential Liability of Shareholders

Under the BCBCA, despite the Voluntary Liquidation, each Shareholder to whom any of the Fund's property has been distributed is potentially liable under Section 348 of the BCBCA, for a period of two years, to any person claiming under section 346 of the BCBCA to the extent of the amount received by that Shareholder upon a distribution, and an action to enforce such liability may be brought.

Section 346 of the BCBCA provides that, despite the dissolution of a company under the BCBCA:

- a civil, criminal, quasi-criminal, administrative or regulatory action or proceeding (each, a ''**legal proceeding**'') that was commenced by or against the Fund before its dissolution may be continued as if the Fund had not been dissolved; and

- a legal proceeding may be brought against the Fund within two years after its dissolution, as if the Fund had not been dissolved.

A Shareholder will not be liable under Section 346 of the BCBCA unless (a) in the case of a legal proceeding that is ongoing, such Shareholder is added as a party to the legal proceeding within two years after the date on which the Fund is dissolved, or (b) if a judgement is obtained in a legal proceeding described above, the judgment creditor brings a legal proceeding against such Shareholder within two years after the date on which the Fund is dissolved.

Indemnification of Directors and Officers

The Fund will continue, until the completion of the Voluntary Liquidation, to indemnify and provide for advancement of expenses to the Manager and the officers, directors, employees, agents and representatives of the Fund and the Manager in accordance with the Fund's organizational documents, any contractual arrangements and applicable law, for acts or omissions of such persons in connection with the implementation of the Windup. The Fund's obligation to indemnify (or advance expenses to) such persons may also be satisfied out of insurance proceeds.

The Board and its agents are authorized to obtain and maintain at the expense of the Fund, such insurance as may be necessary, appropriate or desirable, including its existing directors' and officers' liability insurance policy or any replacement policy.

Dissent Rights

Pursuant to the BCBCA and the Fund's organizational documents, Shareholders are not entitled to dissent rights in connection with the Voluntary Liquidation.

Resolution

The full text of the Voluntary Liquidation Resolution is set out below:

BE IT RESOLVED, as a special resolution that:

1. the Fund is hereby authorized to voluntarily liquidate, wind-up and dissolve pursuant to section 319 of the BCBCA, which Voluntary Liquidation shall become effective upon the Commencement of the Liquidation;

2. the Bowra Group Inc. is hereby appointed as the liquidator of the Fund pursuant to Section 319(2)(a) of the BCBCA (the ''**Liquidator**'') to, inter alia, liquidate the Fund in accordance with the BCBCA and wind-up and dissolve the Fund in accordance with section 341 to 343 of the BCBCA; and

3. the Board is hereby authorized to set the remuneration of the Liquidator.

CEASING TO BE A REPORTING ISSUER RESOLUTION

Shareholders will be asked, as part of the Windup Resolution, to consider, and if thought advisable, to approve by ordinary resolution under the BCBCA (by a majority of at least 50% of the votes cast) that the Fund make an application to the BCSC to cease to be a reporting issuer. The Board unanimously recommends that Shareholders vote in favour of the Ceasing to be a Reporting Issuer Resolution.

The Fund is currently a reporting issuer in British Columbia, meaning it is required to regularly file certain documentation with the BCSC and to notify the BCSC and the investing public of material changes in the

Fund's affairs. If the Windup Resolution is passed, the Fund plans to commence an application to cease to be a reporting issuer in British Columbia.

Maintaining reporting issuer status involves a significant commitment from the Fund in terms of financial resources and of Management's time and attention. If the Ceasing to be a Reporting Issuer Resolution is approved by Shareholders at the Meeting, and the Fund makes its application to the BCSC to cease to be a reporting issuer, it is expected, but not certain, that the Fund will be granted the relief and following receipt thereof, the Fund will cease to be a reporting issuer and will no longer make any additional continuous disclosure filings pursuant to British Columbia securities laws except as otherwise required by the BCSC pursuant to any conditions as may be imposed on the order.

In addition, if the Ceasing to be a Reporting Issuer Resolution is approved, and if the Fund ceases to be a reporting issuer, although there is currently no market for the Fund's Class A Shares, Shareholders would be subject to strict restrictions that would apply to the transfer of such shares.

Steps Involved in Ceasing to be a Reporting Issuer

If the Shareholders approve the Ceasing to be a Reporting Issuer Resolution, the Board proposes to implement the resolution as follows:

1. The Fund will submit an application to the BCSC to cease to be a reporting issuer in British Columbia.

2. The Fund will, upon the granting of the application by the BCSC, cease to be a reporting issuer in British Columbia.

Resolution

The full text of the Ceasing to be a Reporting Issuer Resolution is set out below:

BE IT RESOLVED, as a special resolution that the Fund make an application to the British Columbia Securities Commission to cease to be a reporting issuer in such jurisdiction.

CANCELLATION OF SBVCA REGISTRATION AND NAME CHANGE RESOLUTIONS

Shareholders will be asked, as part of the Windup Resolution, to consider, and if thought advisable, (1) approve by special resolution under the SBVCA (by a majority of not less than 50% of the votes cast) that the Fund provide notice to the SBVCA Administrator to voluntarily cancel its registration under the SBVCA and (2) approve by special resolution under the BCBCA (by a majority of at least 75% of the votes cast) that the Fund change its name to delete "(VCC)" from it and amend the Articles of the Fund to delete all provisions in the Articles specific to the SBVCA, if required by the SBVCA Administrator. The Board recommends that Shareholders vote in favour of the Cancellation of SBVCA Registration Resolution and the Name Change Resolution.

If the Cancellation of SBVCA Registration Resolution and the Name Change Resolution are approved, the Fund will provide notice to the SBVCA Administrator confirming that it has, pursuant to section 24 of the SBVCA: (a) passed a special resolution requesting cancellation of its registration; (b) passed a resolution under section 257(2)(b) of the BCBCA to change its name to delete "(VCC)" from it; and (c) presented proof satisfactory to the SBVCA Administrator that it has complied with sections 19(5) and (7) and 22 of the SBVCA (which requires paying the SBVCA Liability).

Upon providing such notice to the SBVCA Administrator, the SBVCA Administrator must cancel the registration of the Fund as a "venture capital corporation". The Fund will concurrently pay the SBVCA Liability. The Fund will thereafter be relieved of the administrative cost and burden of ongoing compliance with SBVCA requirements. On cancellation of the Fund's registration under the SBVCA, the Fund may continue to carry on business in accordance with the BCBCA.

Steps Involved in the Cancellation of SBVCA Registration and Name Change

If the Shareholders approve the Cancellation of SBVCA Registration Resolution and the Name Change Resolution, the Board proposes to implement the resolutions as follows:

1. The Fund will provide notice to the SBVCA Administrator that it has, pursuant to section 24 of the SBVCA: (a) passed a special resolution requesting cancellation of its registration; (b) passed a resolution under section 257(2)(b) of the BCBCA to change its name to delete "(VCC)" from it; and (c) presented proof satisfactory to the SBVCA Administrator that it has complied with sections 19(5) and (7) and 22 of the SBVCA.

2. The Fund will change its name to "British Columbia Discovery Fund Inc." If required, the Fund will amend the Articles of the Fund to delete all provisions in the Articles specific to the SBVCA.

3. The Fund will pay the outstanding SBVCA Liability and the SBVCA Administrator will cancel the Fund's SBVCA registration. The Fund will thereafter be relieved of the administrative cost and burden of ongoing compliance with SBVCA requirements.

Cancellation of SBVCA Registration Resolution

The full text of the Cancellation of SBVCA Registration Resolution is set out below:

BE IT RESOLVED, as a special resolution, pursuant to Section 24 of the *Small Business Venture Capital Act* (British Columbia), that the Fund or the Liquidator, as applicable, make application requesting cancellation of its registration under the SBVCA.

Name Change Resolution

The full text of the Name Change Resolution is set out below:

BE IT RESOLVED, as a special resolution that:

1. the Fund change the Fund's name to "British Columbia Discovery Fund Inc."; and

2. the Fund amend the Articles of the Fund to remove all provisions specific to the SBVCA, if required by the SBVCA Administrator.

REDUCTION OF CAPITAL RESOLUTION

Shareholders will be asked, as part of the Windup Resolution, to consider, and if thought advisable, approve the Reduction of Capital Resolution. The affirmative vote of no less than 75% of the Shareholders present in person or represented by proxy and entitled to vote at the Meeting is required for the approval of the Reduction of Capital Resolution. The Board unanimously recommends that Shareholders vote in favour of the Reduction of Capital Resolution.

The Board proposes to reduce its capital (the "**Reduction of Capital**"), pursuant to section 74(1) of the BCBCA by an amount equal to $31,132,327.77 ($7.26 per Class A Share), and, subject to the Fund satisfying statutory solvency tests as of the date of any such distribution, to distribute such amount to the Shareholders when and as the Fund realizes proceeds from its investments and cash is available to fund returns of capital (the "**Return of Capital**"). Returns of Capital will be made on a pro rata basis whereby Shareholders will receive a pro rata share of the Return of Capital calculated on the basis of their respective percentage ownership of Class A Shares in the Fund on the record date for the Return of Capital. The holders of Class A Shares will not be required to surrender or redeem their Class A Shares in order to receive their pro rata portion of the Return of Capital.

Pursuant to section 74(1) of the BCBCA, the Reduction of Capital requires either a Court order or the approval of the Shareholders by a special resolution, subject to the requirements that there are no reasonable grounds for believing that the realizable value of the Fund's assets would, after the Reduction of Capital, be less than the aggregate of its liabilities.

The Board believes that the Reduction of Capital and the Return of Capital are in the best interest of the Fund and that there are no reasonable grounds for believing that the realizable value of the Fund's assets would, after the Reduction of Capital, be less than the aggregate of its liabilities.

The Board anticipates that the Return of Capital will occur in stages as the Fund realizes proceeds from its various investments and the full amount of the Reduction of Capital will not take effect until the Fund has remitted an amount equal to the SBVCA Liability to the SBVCA Administrator.

Resolution

The full text of the Reduction of Capital Resolution is set out below:

BE IT RESOLVED, as a special resolution that a reduction in the capital of the Fund by an aggregate amount equal to $31,132,327.77 ($7.26 per Class A Share) be and is hereby authorized and approved (the "**Reduction of Capital**") and to give effect to the Reduction of Capital in whole or in part as cash proceeds are realized and become available to the Fund from the sale of its assets, and to make cash distributions by way of return of capital to the holders of Class A Shares.

CONSIDERATION OF ALTERNATIVES TO THE WINDUP

The Fund is a mature venture capital fund that has been scaling back its operations progressively in recent years. In 2015, the Fund decided to discontinue the raising of capital through the sale of its Class A Shares. Since then the Fund has focused on the management of its existing Portfolio Assets and, over time, the realization of its investments and distribution of the proceeds therefrom to Shareholders. In 2017, the Fund conducted a strategic review of go-forward alternatives and converted from a redemption model to a dividend distribution model.

In 2019, the Fund commenced another formal strategic review which, after a consideration of the reasonably available alternatives, resulted in a decision in 2020 to pursue the Windup. This review resulted in a decision of the Board to further pursue consideration of the Windup by way of termination of the Management Agreement and Voluntary Liquidation, the details of which are provided above.

In reaching its decision to recommend the Windup to Shareholders, the Board reviewed the Fund's current liquidity and cost-reduction options and considered and rejected a number of other strategic alternatives, apart from the Windup, including the following:

1. **Merger transaction**: The Board believes that a merger transaction with a larger fund, while having certain potential benefits for Shareholders, is unlikely. Potential benefits could include increased diversification, improved liquidity, and lower operating costs as a percentage of the value of the Portfolio Assets. However, there are no obvious identifiable merger partners (there are no other VCC funds), and the small size of the Fund, together with the limited life of its Portfolio Assets and the regulatory complications of the SBVCA, limit its attractiveness to potential merger candidates. Additionally, this option would generate relatively high transaction costs (including the cost of terminating the Management Agreement and likely repaying the SBVCA Liability). The Board therefore concluded that a merger transaction is unlikely and probably cost prohibitive.

2. **En bloc sale of assets**: An en bloc sale of assets could result in near term liquidity for Shareholders. However, there are also significant negatives, including relatively high transaction costs (including the cost of terminating the Management Agreement and repaying the SBVCA Liability); the small size and limited diversification of the Fund would not be attractive to potential buyers; and the limited universe of buyers, which typically pay distress values. The Board therefore concluded that an en bloc sale is unlikely and would result in unattractive proceeds.

3. **Institutional financing**: In the Board's assessment, it would be difficult to attract an institutional investor to invest in the Fund and, in any event, this option would be unlikely to result in near term liquidity for Shareholders. It is likely that the small size and limited diversification of the Fund would not be attractive to investors. Potential institutional investors could make investments directly without assuming the overhead burden of the Fund. New investors would take a longer view, terms of investment would be restrictive and likely not to the advantage of current Shareholders and there would be significant transaction costs (complying with the SBVCA and securities regulations or possibly repaying the SBVCA Liability). The Board therefore concluded that an institutional financing is unlikely and would not improve liquidity for Shareholders.

4. **Sale or transfer of the Management Agreement**: A sale or transfer of the Management Agreement, if achievable, would not result in near term liquidity for Shareholders and costs would continue relatively unchanged. There is a limited universe of managers to approach and the small size, limited life and limited diversification of the Fund would not be attractive to a new manager. A new manager would not be incented to accelerate liquidity. Furthermore, this option would generate high transaction costs (including the cost of terminating the Management Agreement and complying with the SBVCA and securities regulations or possibly repaying the SBVCA Liability). The Board therefore concluded that a transfer of the Management Agreement would be unlikely to offer any material benefit to Shareholders.

5. **Restructure Management Agreement**: Under this option, the Management Agreement could be terminated and replaced with a new agreement with a lower management fee. This option would not result in any change in the near-term liquidity for Shareholders but costs could be lowered. Negative implications of this option include transaction costs that include the cost of terminating the current Management Agreement and the continuing compliance and regulatory overhead of the Fund. The Board therefore concluded that restructuring the Management Agreement would reduce future costs but incur up-front costs such that there may be little to no material benefit to Shareholders.

6. **Voluntary Dissolution**: The Board considered the winding up of the Fund pursuant to a voluntary dissolution under Division 2 of Part 10 of the BCBCA. This option would, however, not accelerate liquidity for Shareholders, would require payment of fees to a custodian in an amount probably similar to those paid to the Liquidator and could involve regulatory uncertainty and possible costly compliance expenses. The Fund would not, under this option, have to pay fees to the Liquidator,

but the simplicity, certainty and timeliness of the Windup pursuant to the Voluntary Liquidation were assessed as outweighing the benefits of voluntary dissolution.

RISK FACTORS

The Windup involves a number of risks, including, among others, that:

- the Fund cannot assure its Shareholders of the timing or amount of any liquidation distributions. The timing of the Commencement of the Liquidation depends on the timeliness of receipt of the requisite regulatory approvals; and the timing of liquidation of the Portfolio Assets depends on the timing of occurrence of Liquidity Events in the portfolio companies;
- the Fund will continue to incur expenses that will reduce the value of any liquidation distributions, including expenses of complying with reporting issuer requirements (until such time as it can cease its reporting obligations);
- the Fund will have to defend or resolve any unforeseen claims asserted against it or establish a reasonable reserve before making liquidation distributions to its Shareholders. Satisfaction of such claims will reduce the value of any liquidation distributions;
- if the Fund fails to retain sufficient funds to pay the expenses and liabilities actually owed to the Fund's creditors, each Shareholder receiving liquidation distributions could be held liable for payment to the Fund's creditors, of his, her or its pro rata share of any shortfall, up to the amount actually distributed to each Shareholder;
- the Fund will cease to be a reporting issuer and the Fund's Shareholders will no longer receive the annual and continuous disclosure required to be disseminated to shareholders of reporting issuers; and their Class A Shares will be subject to trading restrictions;
- if, at the time of a distribution to Shareholders, the Fund cannot pass statutory solvency tests, the distribution cannot take the form of a reduction in capital, and may have to take another form less favourable to Shareholders;
- there are no assurances that the Liquidator will achieve the same financial results that management might achieve if it continued as the Manager pursuant to the Management Agreement. As the long term manager of the Fund, and as an experienced investment manager, the Manager has an understanding of the portfolio companies and their prospects, as well as of the market for and likely buyers of the Portfolio Assets;
- the tax treatment of liquidation distributions may vary from shareholder to shareholder, and shareholders should consult their own tax advisors; and
- the Class A Shares may, in certain circumstances, cease to be ''qualified investments'' for "registered plans" for the purposes of the *Income Tax Act* (Canada) (the "**Tax Act**")

CANADIAN INCOME TAX CONSEQUENCES

In the opinion of Farris LLP, counsel to the Fund, the following is, as of the date hereof, a general summary of the principal Canadian federal income tax consequences under the Tax Act and the regulations thereunder, the BC Income Tax Act (the "**BC Tax Act**") and SBVCA generally applicable to a Shareholder. This summary only applies to a Shareholder that, for the purposes of the Tax Act and at all relevant times: (i) holds Class A Shares as capital property, (ii) is resident in Canada and British Columbia and (iii) is not affiliated with and deals at arm's length with the Fund (a "**Holder**"). A Class A Share generally will be capital property to a Shareholder unless it is held in the course of carrying on a business of trading in or dealing in securities, or it has been acquired in a transaction or transactions considered to be an adventure or concern in the nature of trade.

This summary is not applicable to a Shareholder (i) that is a "financial institution", as defined in the Tax Act for purposes of the mark-to-market rules in the Tax Act, (ii) that is a "specified financial institution", as defined in the Tax Act, (iii) an interest in which is a "tax shelter investment" as defined in the Tax Act, (iv) that has elected to report its Canadian tax results in a currency other than the Canadian currency, or (v) that has entered into or will enter into a "derivative forward agreement", as that term is defined in the Tax Act, with respect to the Class A Shares. Any such Shareholders should consult their own tax advisors.

A Shareholder's Class A Shares generally will be capital property of the Shareholder unless the Shareholder holds them in the course of carrying on a business or as an adventure in the nature of trade. A Shareholder whose Class A Shares might not otherwise be capital property may in certain circumstances irrevocably elect pursuant to subsection 39(4) of the Tax Act that the Shareholder's Class A Shares, together with all of the Shareholder's other "Canadian securities", be capital property. Any Shareholder considering making such an election should first consult the Shareholder's tax advisers.

Additional considerations, not discussed herein, may be applicable to a Holder that is a corporation that is, or becomes, or does not deal at arm's length for purposes of the Tax Act with a corporation resident in Canada that is or becomes, as part of a transaction or series of transactions or events that includes the acquisition of the Class A Shares, controlled by a non-resident corporation for the purposes of the "foreign affiliate dumping" rules in section 212.3 of the Tax Act. Any such Holder should consult its own tax advisor with respect to its investment in Class A Shares.

The Fund has obtained registration as a venture capital corporation under the SBVCA. This summary assumes that the Fund will continue to be qualified as a venture capital corporation until it applies to cancel its registration under the SBVCA in accordance with the Cancellation of SBVCA Registration Resolution.

This summary is based on the Tax Act, the BC Tax Act, the SBVCA, all published and publicly announced proposals by the federal Minister of Finance for amendments to the Tax Act, the BC Tax Act and the SBVCA (collectively, the "**Tax Proposals**"), and upon management's understanding of the prevailing administrative practices of the Canada Revenue Agency ("**CRA**") and the British Columbia Ministry of Finance. This summary does not address all of the federal and British Columbia income tax consequences of an investment in the Class A Shares and also does not address the application of any income tax laws of any province other than British Columbia or any territory or foreign jurisdiction. This summary does not otherwise take into account or anticipate any change in law or administrative practice. No assurances can be given that the Tax Proposals will be enacted as proposed or that legislative, judicial or administrative changes will not modify or change the statements expressed herein.

This summary is of a general nature and is not, and is not to be construed as, legal or tax advice to any particular Holder. Each Holder should consult the Holder's own tax advisers with respect to the legal and tax consequences of the Wind Up of the Fund and the receipt of the distributions made in connection with the Wind Up applicable to the Holder's particular circumstances.

Distributions and Reduction of Capital

Periodically, during the course of the Voluntary Liquidation, as Portfolio Assets are sold, the Fund intends to make cash distributions to Shareholders and may also make in specie distributions of the securities of portfolio companies, in each case by way of returns of capital. Each Holder will be deemed to have received a taxable dividend equal to the amount, if any, by the which the fair market value of the cash or shares in portfolio companies (together the "**Distributed Assets**") received by the Holder exceeds the amount by which the "paid-up capital" (as computed for the purposes of the Tax Act ("**PUC**")) of the Holder's Class A Shares is reduced by the reduction in capital pursuant to section 74 of the BCBCA. Any deemed taxable dividend so arising will be subject to tax as described below (see "Taxation of Dividends").

Management of the Fund expects that the aggregate fair market value of all the Distributed Assets should not exceed the PUC of the Class A Shares at that time. Provided that this expectation is correct, no deemed taxable dividend should arise as a consequence of the Reduction of Capital and receipt of the Distributed Assets by the Holders. However, and notwithstanding that management's expectation appears to be reasonable, whether the proviso is satisfied is a question of fact that can only be determined at the time of the distributions. If taxable dividends were to arise it would be subject to the rules applicable to taxable dividends (see "Taxation of Dividends" below).

Each Holder will be required to reduce the "adjusted cost base" ("**ACB**") of the Holder's Class A Shares by the amount by which the PUC of those shares is reduced by the Reduction of Capital. If the ACB of the Holder's Shares thereby becomes negative, the Holder will be deemed to have realized a capital gain from the disposition of property equal to the negative amount, and the ACB of the Holder's Class A Shares will then be restored to nil. Any capital gain so arising will be subject to tax as described below (see "Taxation of Capital Gains and Losses").

Taxation of Dividends

A Holder who is an individual will be required to include in income for a taxation year the amount of each taxable dividend, if any, that he or she is deemed to receive in the year as a consequence of the receipt of the Distributed Assets subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received by a Canadian resident individual from a taxable Canadian corporation.

Subject to the possible application of the capital gains stripping rules in subsection 55(2) of the Tax Act, a Holder that is a corporation generally will be required to include in income for a taxation year the amount of each taxable dividend, if any, that it is deemed to receive in the year as a consequence of the Settlement, and entitled to deduct an equivalent amount from the Holder's taxable income for the year. A corporate Holder that is a "private corporation" and certain other corporations may be liable to pay refundable tax under Part IV of the Tax Act on the deemed taxable dividend.

Cancellation of Class A Shares on Dissolution

Each Holder will realize a capital loss on the cancellation of the Holder's Class A Shares on the dissolution of the Fund equal to the positive amount, if any, of the ACB of the Holder's Class A Shares determined immediately before that time. Any capital loss so arising will be deductible as described below (see "Taxation of Capital Gains and Losses").

The Fund will pay the SBVCA Liability in the course of the Windup. As a result of the voluntary de-registration, the payment of the SBVCA Liability by the Fund and the cancellation of a Class A Share on the dissolution of the Fund, a Holder will not be subject to any requirement to repay any portion of any British Columbia tax credits received by that Holder with respect to the Class A Shares.

Taxation of Capital Gains and Losses

Generally, one-half of the amount of any capital gain (a "**taxable capital gain**") realized by a Holder in a taxation year must be included in computing the Holder's income in that year, and one-half of the amount of any capital loss (an "**allowable capital loss**") realized by a Holder in a taxation year generally must be deducted from taxable capital gains realized by the Holder in that year. Allowable capital losses in excess of taxable capital gains realized in a taxation year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any following taxation year against taxable capital gains realized in such years to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized on the disposition of a Class A Share by a Holder that is a corporation may be reduced by the amount of dividends received or deemed to have been received by it on the Class A Share (or on a share for which such Class A Share has been substituted) to the extent and in the circumstances prescribed by the Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns Class A Shares, directly, or indirectly through a partnership or a trust. Holders to which these rules may be relevant should consult their own tax advisors.

A Holder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable for an additional refundable tax on its "aggregate investment income", which is defined in the Tax Act to include taxable capital gains.

Eligibility for Investment – Class A Shares and Securities of Portfolio Companies

Upon the Fund ceasing to be registered as a VCC, any Class A Shares acquired by a Holder after March 22, 2011 will be prohibited investment for an RRSP, RRIF, RESP or TFSA (a "**Registered Plan**") unless the Class A Shares are "excluded property" as defined in the Tax Act for purposes of the prohibited investment rules. Holders should consult with their own tax advisors as to whether the Class A Shares will be a prohibited investment for such Registered Plans in their particular circumstances.

If Class A Shares are a prohibited investment for a Registered Plan, that Registered Plan will be deemed to dispose of those Class A Shares it holds for proceeds of disposition equal to their fair market value and to reacquire those Class A Shares with a tax cost equal to that fair market value. The annuitant or beneficiary of the Registered Plan will be subject to penalty taxes of (i) 50% of the fair market value of those Class A Shares held by a Registered Plan at the time the Class A Shares commences to be a prohibited investment for a Registered Plan (the "**50% Penalty Tax**") and (ii) 100% of any income earned or gain realized by the Registered Plan on the Class A Shares after the deemed disposition and reacquisition by the Registered Plan (the "**100% Penalty Tax**"). In certain circumstances, the 50% Penalty Tax could be refundable to the annuitant or beneficiary; Holders should consult their own tax advisors to determine if such a refund is available.

During the course of the Voluntary Liquidation, a Holder may receive distributions of non-cash assets from the Fund. These non-cash distributions may include property that is not a qualified investment for a Registered Plan or a property that is a prohibited investment for a Registered Plan, in which case penalty taxes would apply. Holders should consult with their own tax advisors on the tax consequences of receiving property in a Registered Plan that is not cash.

Although Management understands that a Portfolio Asset could be a qualified investment for Registered Plans, it will not be feasible, or even possible, for management to satisfy each Shareholder that any Portfolio Asset would be a qualified investment.

The exact income tax consequences of the Windup to each Shareholder will depend on such Shareholder's particular circumstances. Management strongly recommends that all Shareholders consult their own tax advisors for personal tax advice on the tax consequences of the Windup to such Shareholders.

ADDITIONAL INFORMATION

Financial information concerning the Fund is provided in the Fund's comparative financial statements and Management Report of Fund Performance ("**MRFP**") for its most recently completed financial year. This information and additional information relating to the Fund is on SEDAR at www.sedar.com. Shareholders may contact the Fund by calling 604-683-3000 or by visiting the Fund's website at www.bcdiscoveryfund.com - to request copies of the Fund's financial statements and MRFP.

Other Matters

Management of the Fund knows of no other matter to come before the Meeting other than those referred to in the Notice of Meeting. Should any other matters properly come before the Meeting, it is the intention of the persons named in the enclosed form of proxy to vote the same in accordance with their best judgment of such matters.

Depositary Exemption

The Fund has received an exemption on April 5, 2019 from the Depositary provisions set out in Part 6 of National Instrument 81-102 *Investment Funds*. This exemption terminates on April 23, 2021.

DIRECTORS' APPROVAL

The Board of Directors of the Fund has approved the contents and the sending of this Circular and the accompanying Notice of Annual General and Special Meeting.

Dated at Vancouver, British Columbia this 22nd day of May, 2020.

BY ORDER OF THE BOARD OF DIRECTORS

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BRITISH COLUMBIA DISCOVERY FUND (VCC) INC.

"John McEwen"

John McEwen
Director and Chief Executive Officer