

# PENDER

## PENDER GROWTH FUND INC.

Suite 1640 – 1066 West Hastings Street, Vancouver, B.C. V6E 3X1

Telephone: (604) 688-1511 Facsimile: (604) 563-3199

### INFORMATION CIRCULAR

(containing information as at May 11, 2017, except as otherwise indicated)

### SOLICITATION OF PROXIES

**This Information Circular is furnished in connection with the solicitation of proxies (each a "Proxy" and collectively, "Proxies") by the management of PENDER GROWTH FUND INC. (the "Fund"), for use at the Annual General Meeting of the shareholders of the Fund, to be held on June 19, 2017 (the "Meeting") at the time and place and for the purposes set forth in the accompanying Notices of Meeting (the "Notice").** The Fund is managed by PenderFund Capital Management Ltd. (the "Manager"). While the solicitation will be made primarily by mail, Proxies may be solicited personally or by telephone by the regular employees of the Fund and the Manager at nominal cost. The cost of solicitation will be borne by the Fund.

No person is authorized to give any information or to make any representations other than those contained in this Information Circular and, if given or made, such information or representations should not be relied upon as having been authorized.

### APPOINTMENT OF PROXYHOLDER AND REVOCATION OF PROXIES

**The persons named in the enclosed forms of Proxy are nominees selected by the Fund's management. A shareholder of the Fund (a "Shareholder") has the right to appoint a person to represent and vote for the Shareholder at the Meeting other than the persons designated in the enclosed forms of Proxy. To exercise this right, a Shareholder must strike out the names of the persons named in each of the enclosed forms of Proxy the Shareholder returns and insert the name of the Shareholder's nominee in the blank space provided, or complete another proper instrument of Proxy. Such other person need not be a Shareholder of the Fund.**

The Fund has enclosed a form of Proxy. Shareholders must complete the form of Proxy in respect of the shares of the Fund the Shareholder intends to be voted by its proxyholder. Each Proxy must be signed by the Shareholder or by the Shareholder's attorney authorized in writing, or, if the Shareholder is a corporation, it must either be under its common seal or signed by a duly authorized officer. Evidence of the authority of such attorney or officer, as applicable, must accompany each Proxy.

Each completed Proxy must be deposited at least 48 hours before the time of the Meeting or any adjournment thereof at which the Proxy is to be used, excluding Saturdays, Sundays and holidays, or, at the discretion of the Chairman of the Meeting, at any time prior to the Meeting.

Proxies for Class C Participating Common Shares are to be deposited at the office of the Fund's registrar, CST Trust Company, Attn: Proxy Department at Box 721, Agincourt, ON M1S 0A1.

A Shareholder may revoke a proxy on any matter on which it has not been previously exercised:

- (a) by depositing an instrument in writing executed by him or by his attorney authorized in writing, or, if the Shareholder is a corporation, it must either be under its common seal or signed by a duly authorized officer, with evidence of the authority of such attorney or officer, as applicable, accompanying the Proxy: (i) with the Fund at any time up to and including the last business day before the day of the Meeting or any adjournment thereof at which the Proxy is to be used, or (ii) with the Chairman of the Meeting at the scheduled commencement of the Meeting or adjournment thereof at which time the Proxy is to be used, or
- (b) in any other manner permitted by law.

Revocation of Proxies may also be done electronically. Shareholders who wish to revoke Proxies electronically are urged to contact the Fund to determine the availability, and instructions for the use, of this option.

### **ADVICE TO BENEFICIAL SHAREHOLDERS**

**Only registered shareholders or duly appointed proxyholders are permitted to vote at the Meeting. Shareholders who do not hold their shares in their own name (referred to herein as "Beneficial Shareholders") are advised that only proxies from shareholders of record can be recognized and voted at the Meeting.** Beneficial Shareholders who complete and return an instrument of proxy must indicate thereon the person (usually a brokerage house) who holds their shares as a registered Shareholder. Each intermediary (broker) has its own mailing procedure, and provides its own return instructions, which should be carefully followed. The instrument of proxy supplied to Beneficial Shareholders may be almost identical to that provided to registered Shareholders. However, its purpose is limited to instructing the registered Shareholder how to vote on behalf of the Beneficial Shareholder.

If a Shareholder's shares are listed in an account statement provided to a Shareholder by a broker, then in almost all cases those shares will not be registered in such Shareholder's name on the records of the Fund. Such shares will more likely be registered under the name of the Shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depository Services Inc., which company acts as nominee and custodian for many Canadian brokerage firms). Shares held by brokers or their nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, brokers/nominees are prohibited from voting shares for their clients. The directors and officers of the Fund do not know for whose benefit the shares registered in the name of CDS & Co. are held.

In accordance with National Instrument 54-101 Communication with Beneficial Owners of the Canadian Securities Administrators, the Fund has distributed copies of the Notice, this Information Circular and the Proxies to the clearing agencies and intermediaries for onward distribution to non-registered shareholders. Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings unless the Beneficial Shareholders have waived the right to receive Meeting materials. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their shares are voted at the Meeting. Often the form of proxy supplied to a Beneficial Shareholder by its broker is identical to the form of Proxy provided by the Fund to the registered shareholders. However, its purpose is limited to instructing the registered shareholder on how to vote on behalf of the Beneficial Shareholder should a non-registered shareholder receiving such a form wish to vote at the Meeting, the non-registered shareholder should strike out the names of the Management Proxyholders named in the form and insert the non-registered shareholder's name in the blank provided. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Investor Services Inc. ("**Broadridge**"). Broadridge typically applies a special sticker to the proxy forms, mails those forms to the Beneficial Shareholders and asks Beneficial Shareholders to return

the proxy forms to Broadridge. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. **A Beneficial Shareholder receiving a proxy with a Broadridge sticker on it cannot use that proxy to vote shares directly at the Meeting - the proxy must be returned to Broadridge well in advance of the Meeting in order to have the shares voted.** All references to shareholders in this Information Circular and the accompanying form of Proxy and Notice are to shareholders of record unless specifically stated otherwise.

### **VOTING AND EXERCISE OF DISCRETION OF PROXIES**

The securities represented by a Proxy will be voted or withheld from voting in accordance with the instructions of the Shareholder on any ballot that may be called for, and if the Shareholder specifies a choice with respect to any matter to be acted upon the securities will be voted accordingly.

**In the absence of any instructions on how the securities represented by the Proxy are to be voted, the proxyholder will have discretionary authority to vote on such unspecified matters. The persons named in the enclosed form of Proxy intend to vote in favour of the motions proposed to be made at the Meeting as stated in the Notice and in this Information Circular.**

The form of Proxy enclosed confers discretionary authority with respect to amendments or variations to the matters disclosed in the Notice and in this Information Circular, or any other matters, which may properly be brought before the Meeting. At the time of the printing of this Information Circular, the Fund's management is not aware of any such amendments, variations or other matters to be presented for action at the Meeting. If, however, any amendments, variations or other matters which are not now known to the Fund's management should properly come before the Meeting, the Proxies hereby solicited will be exercised on such matters in accordance with the best judgment of the proxyholder on such matters. If a shareholder does not wish to confer discretionary authority on the proxyholder, the shareholder should mark "against" under the item "*To approve the transaction of such other business as may properly come before the Meeting*" in the Proxy.

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

The Fund's authorized capital consists of Class B Convertible Non-Participating Common Shares (the "Class B Shares") which entitle the holder to five votes per Class B Share at general meetings of the Fund, Class C Participating Common Shares (the "Class C Shares", or the "Shares") which entitle the holder to one vote per Class C Share at general meetings of the Fund and Class R Senior Participating Redeemable Convertible Preference Shares (the "Class R Shares" and collectively with the Class B Shares and the Class C Shares, the "Shares") which entitle the holder to four votes per Class R Share at general meetings of the Fund.

Unless otherwise permitted by law, only those Shareholders of record holding shares on May 11, 2017 (the "**Record Date**") shall be entitled to vote at the Meeting, or any adjournment thereof, in person or by Proxy. On any poll, each Shareholder of record holding Shares on the Record Date is entitled to exercise the voting rights attached to each Share registered in his or her name on the list of Shareholders as at the Record Date, which list will be available for inspection during normal business hours at the office of the Manager and at the Meeting.

On the Record Date the Fund had 4,152,545 Class C Shares issued and outstanding. Currently, there are no Class B Shares or Class R Shares issued and outstanding. To the knowledge of the directors and senior officers of the Fund, no person beneficially owns, directly or indirectly, or exercises control or direction over, Shares carrying more than 10% of the voting rights attached to all outstanding Shares.

### **APPOINTMENT AND REMUNERATION OF AUDITORS**

The Shareholders of the Fund will be asked to pass an ordinary resolution to approve the re-appointment of KPMG LLP, located at 777 Dunsmuir Street, Vancouver, British Columbia, as auditors for the Fund, to

hold office until the next annual general meeting of the Shareholders at a remuneration to be fixed by the Board of Directors of the fund. KPMG was first appointed as the auditor of the Fund effective December 22, 2010.

### ELECTION OF DIRECTORS

The Fund currently has four directors. The term of office of each of the present directors of the Fund expires at the Meeting. **The persons named below will be presented for election as directors at the Meeting as management's nominees.** All of the nominees are current directors of the Fund. Management does not contemplate that any of these nominees will be unable to serve as a director. Each director elected will hold office until the next annual general meeting of the Shareholders of the Fund or until his successor is elected or appointed, unless his office is earlier vacated in accordance with the Articles of the Fund or with the provisions of the British Columbia *Business Corporations Act* (the "BCBCA").

The following table sets out the names of management's nominees for election as directors, the country and province in which each is ordinarily resident, all offices of the Fund now held by each of them, their principal occupations, the period of time for which each has been a director of the Fund, and the number of Shares of the Fund beneficially owned, or controlled or directed, directly or indirectly, by each as at the date hereof.

Name, Province or State and Country of Residence <sup>(1)</sup> and Positions Held with the Fund	Principal Occupation or Employment During the Past Five Years <sup>(1)</sup>	Date Served as a Director	Number of Shares Beneficially Owned, or Controlled or Directed, as at Record Date
<b>DAVID BARR</b> <sup>(2)</sup> British Columbia, Canada Director	President and Chief Executive Officer of the Manager since April 2016; Chief Investment Officer of the Manager from April 2009 to April 2017; and Chief Executive Officer of the Fund since November 2006.	Since June 2015	243,469 Class C Shares
<b>J. KELLY EDMISON</b> <sup>(3)(4)</sup> British Columbia, Canada Chairman and a Director	Chairman of the Manager and the Fund since May 2003; and President and CEO of the Manager from December 2007 to April 2016.	Since May 2003	259,164 Class C Shares
<b>IAN D. POWER</b> <sup>(4)</sup> British Columbia, Canada Director	Independent consultant in corporate finance and accounting since 1993.	Since March 1994	10,000 Class C Shares
<b>WENDY PORTER</b> <sup>(4)</sup> British Columbia, Canada Director	Consultant with Focused Management Solutions Inc. from 2004 to present.	Since May 2006	40,000 Class C Shares

Notes:

- (1) The information as to Province or State and Country of residence, principal occupation or employment and the number of voting securities beneficially owned, or controlled or directed, directly or indirectly, by the nominees is not within the knowledge of the management of the Fund and has been furnished by the respective nominees.
- (2) Mr. Barr is a member of the audit committee. Mr. Barr is also a director, officer and shareholder of PenderFund Capital Management Ltd., the Manager of the Fund.
- (3) Mr. Edmison is a director, officer, and shareholder of PenderFund Capital Management Ltd., the Manager of the Fund.
- (4) Member of the audit committee of the Fund.

The Fund's Board of Directors does not contemplate that any of its nominees will be unable to serve as a director. If any vacancies occur in the slate of nominees listed above before the Meeting, then the proxyholders named in the accompanying form of Proxy intend to exercise discretionary authority to vote the shares represented by Proxy for the election of other persons as directors.

To the knowledge of the Fund, no proposed director of the Fund is, as at the date of this Information Circular, or was within 10 years before the date of this Information Circular, a director, chief executive officer or chief financial officer of any company (including the Fund), that:

- (a) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

To the knowledge of the Fund, no proposed director of the Fund is, as at the date of this Information Circular, or has been within the 10 years before the date of this Information Circular:

- (a) was a director or executive officer of any company (including the Fund) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

To the knowledge of the Fund, no proposed director of the Fund has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

## STATEMENT OF EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

The Fund entered into an agreement dated effective July 1, 2003 with PenderFund Capital Management Ltd. (the "**Manager**"), which was amended on October 1, 2003, then replaced by the Amended and Restated Management Agreement with the Manager dated effective June 22, 2006, then replaced by the Second Amended and Restated Management Agreement with the Manager dated effective July 22, 2010, which in turn was replaced by the Restated Management Agreement (the "**Management Agreement**") dated effective May 1, 2017.

Pursuant to the Management Agreement the Manager provides management services relating to the Fund making investments and administration of the Fund's affairs. These services include 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; and ensuring that appropriate accounting, bookkeeping and clerical records are maintained with respect to the operations of the Fund. See "Management Contracts".

Executive management services are provided to the Fund through the Manager under the terms of the Management Agreement and paid for by the Manager from the fees paid to the Manager under the Management Agreement. In these circumstances, the Fund considers that the compensation paid by the Manager to the individuals that act as the chief executive officer and chief financial officer of the Fund are matters that are more appropriately determined by the Manager's Board of Directors. The Board of Directors of the Fund has not considered the implications of the risks associated with the Manager's compensation policies and practices. The Fund does not have a policy preventing a NEO or director of the Fund from purchasing financial instruments designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the NEO or director. The Fund does not grant equity securities as compensation.

### Option Based Awards

The Fund does not currently have a stock option plan pursuant to which stock options may be granted. Under applicable securities laws, however, the Fund is permitted to grant stock options to certain persons (the "Qualified Persons") such as, without limitation, directors, officers, employees and consultants of the Fund. The Fund has in the past granted stock options to Qualified Persons pursuant to agreements with such Qualified Persons and in accordance with the requirements of the applicable regulatory authorities. The Board of Directors does not at the date of this Information Circular anticipate that it will grant stock options in the future. However, the Board of Directors has the right to revisit this decision in the future.

### Summary Compensation Table

Set out below are particulars of compensation paid to the following persons (the "**Named Executive Officers**"):

- (a) the Fund's chief executive officer ("**CEO**");
- (b) the Fund's chief financial officer ("**CFO**");
- (c) each of the Fund's three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and the CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000, as determined in accordance with subsection 1.3(6) of Form 51-102F6 Statement of Executive Compensation for that financial year; and

- (d) each individual who would be a Named Executive Officer under paragraph (c) but for the fact that the individual was neither an executive officer of the Fund, nor acting in a similar capacity, at the end of that financial year.

During the financial year ended December 31, 2016, the Fund had two Named Executive Officers, David Barr, President and Chief Executive Officer, and Kelvin Kwong, its Chief Financial Officer. The following table is a summary of compensation paid to the Named Executive Officers for the financial years ended December 31 for the years indicated:

Name and Position of Principal (a)	Year <sup>(1)</sup> (b)	Salary <sup>(2)</sup> (c)	Share Based Awards (d)	Option Based Awards (e)	Non-equity incentive plan compensation (\$)		Pension Value (g)	All other compensation (h)	Total Compensation (i)
					Annual incentive plans (f1)	Long-term incentive plans (f2)			
David Barr President, Chief Executive Officer	2016	\$40,000	Nil	Nil	Nil	Nil	Nil	Nil	40,000
	2015	\$40,000	Nil	Nil	Nil	Nil	Nil	Nil	40,000
	2014	\$40,000	Nil	Nil	Nil	Nil	Nil	Nil	40,000
Kelvin Kwong Chief Financial Officer	2016	\$30,000	Nil	Nil	Nil	Nil	Nil	\$15,000	45,000
	2015	\$30,000	Nil	Nil	Nil	Nil	Nil	Nil	30,000
	2014	\$30,000	Nil	Nil	Nil	Nil	Nil	Nil	30,000

Notes:

- (1) Financial years ended December 31 of the years indicated.  
(2) These salaries represent the compensation paid to the individual by the Manager in connection with services the Manager provided to the Fund.

### **Incentive Plan Awards**

The Fund had no outstanding share options at December 31, 2016 or at any other time during the financial year ended December 31, 2016. Accordingly, no options vested or were exercised during the financial year ended December 31, 2016.

### **Pension Plan Benefits**

The Fund does not provide a pension plan for executive officers or directors.

### **Termination of Employment, Change in Responsibilities and Employment Contracts**

There are no compensatory plans or arrangements with the Named Executive Officers resulting from the resignation, retirement or other termination of employment of the Named Executive Officers or from a change of control of the Fund.

### **Director Compensation**

Except as otherwise disclosed herein, there were no standard arrangements, or other arrangements in addition to or in lieu of standard arrangements, under which the directors were compensated by the Fund or any subsidiary thereof for services in their capacity as a director (including any additional amounts payable for committee participation or special assignments), or for services as consultants or experts, during the most recently completed financial year.

The following table sets out the compensation received by the Directors of the Fund during the financial year ended December 31, 2016:

### Director Compensation Table

Name (a)	Fees Earned (b)	Share- based awards (c)	Option- based awards (d)	Non-equity incentive plan compensation (e)	Pension value (f)	All other compensation (g) <sup>(1)</sup>	Total (h)
David Barr	Nil	Nil	Nil	Nil	Nil	\$200,000	\$200,000
J. Kelly Edmison <sup>(2)</sup>	Nil	Nil	Nil	Nil	Nil	\$25,000	\$25,000
Ian D. Power	\$12,000	Nil	Nil	Nil	Nil	\$25,000	\$37,000
Wendy Porter	\$12,000	Nil	Nil	Nil	Nil	\$25,000	\$37,000

<sup>(1)</sup> The amounts contained in the "All Other Compensation" column represent bonuses paid to the directors following the redemption of all of the outstanding Class R Shares. Prior to the redemption of the Class R Shares, the directors, including David Barr who is the Chief Executive Officer of the Fund, agreed to accept compensation below market standard in order to fund any Class R Share redemption requests.

<sup>(2)</sup> In addition to the amounts above, Mr. Edmison received total share-based compensation of \$191,000 during the year ended December 31, 2016 from QHR Technologies Inc., a former holding of the Fund.

During the most recently completed financial year, the directors' fees for the financial year ended December 31, 2016 were \$2,500 per quarter. Each director also receives \$500 per meeting of which there are typically two to four per annum. These fees are paid quarterly, subject to the availability of funds. All directors are also entitled to be reimbursed for reasonable expenses incurred on behalf of the Fund.

There are no arrangements for compensation with respect to the termination of directors in the event of a change or control of the Fund.

### **INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND EMPLOYEES**

No individual who is, or at any time during the most recently completed financial year was, a director or executive officer of the Fund, no proposed nominee for election as a director of the Fund and no associate of such persons:

- (i) is or at any time since the beginning of the most recently completed financial year has been, indebted to the Fund or its subsidiaries; or
- (ii) whose indebtedness to another entity is, or at any time since the beginning of the most recently completed financial year has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Fund or its subsidiaries,

in relation to a securities purchase program or other program.

### **MANAGEMENT CONTRACTS**

#### **Introduction**

As disclosed under the heading "Compensation Discussion and Analysis", effective May 1, 2017 the Fund approved the Management Agreement which replaced the Second Amended and Restated Management (the "Prior Management Agreement").

Under the Prior Management Agreement, the Fund had agreed to pay the Manager 2.75% per annum of assets under management. The Manager was entitled to a performance bonus in certain circumstances, based on achieving certain performance criteria set out in the Prior Management Agreement. The

performance fee was 20% of the amount of the increase in the net asset value (the "Net Asset Value"), if any, above an annual rate of return of 5%. Under the Prior Management Agreement, the Manager had agreed that no performance fees would be payable prior to redemption of all Class R Shares of the Fund. The Class R Shares were redeemed in December, 2016, leaving only the Class C Shares outstanding.

Following the redemption of the Class R Shares, the Fund and the Manager determined that it was appropriate to enter into a new management agreement to better reflect the Fund's current structure. Accordingly, an independent committee of the directors of the Fund, comprised of Wendy Porter and Ian Power, acting on behalf of the Fund, negotiated the Management Agreement. The material differences between the Prior Management Agreement and the Management Agreement are that the management fee has reduced to 2.5% on a Net Asset Value up to \$50 million (and 2.00% on a Net Asset Value above \$50 million) and the performance fee has been re-instituted based on the Fund's Net Asset Value as at January 1, 2017. The annual rate of return has also been increased to 6%. This is described in further detail under the heading, "Management Fees" below.

### **Management Services**

In accordance with the Management Agreement, the Manager provides management services in connection with all aspects of the identification, investment, development, active monitoring and ultimate divestment of all investments of the Fund.

### **Support Services**

The Manager also provides to the Fund such support services as may from time to time be requested by the Board with respect to the day to day operations of the Fund (including, without limitation, accounting, shareholder recordkeeping, responding to shareholder enquiries and preparing regulatory reporting and adhering to continuous disclosure requirements) and, otherwise, to such extent as may be requested by the Board, assist the Fund and/or the Board with any such activities engaged in by the Fund. The Fund will reimburse the Manager for all expenses (including personnel costs) which the Manager incurs in providing such support services. See "Management Fees".

### **Termination of the Management Agreement**

The Management Agreement is in effect until April 30, 2023 and will be renewed automatically for further successive terms of four years unless the shareholders of the Fund resolves to terminate the engagement of the Manager at the expiry of any term by a special resolution at a meeting called for that purpose. 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 120 days of the Manager being notified of the breach.

In the event the Management Agreement is terminated by either party, the Fund will pay to the Manager:

- any management fees then due and owing to the Manager;
- all reimbursable expenses; and
- the management and performance fees payable in respect of the month in which termination occurs.

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. Unless, in an action against the Manager the Manager achieves complete or substantial success as a defendant, the Manager will not be indemnified for any claim where there has been negligence, misfeasance or willful misconduct of the Manager or the Manager has failed to fulfill its standard of care set to the Fund set forth in the Management Agreement.

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

<b>Name and Municipality of Residence</b>	<b>Position(s) with the Manager</b>
J. Kelly Edmison <sup>(1)(4)</sup> Vancouver, B.C.	Director and Chairman
Donald Campbell Winnipeg, M.B.	Director
David A. Barr <sup>(2)(4)</sup> North Vancouver, B.C.	President, Chief Executive Officer , Co-Chief Investment Officer, Portfolio Manager, and Director
Kelvin Kwong <sup>(3)(4)</sup> Vancouver, B.C.	Chief Financial Officer, Chief Compliance Officer, Secretary and Director.

Notes:

- (1) Mr. Edmison is also the Chairman of the Fund.
- (2) Mr. Barr is also the President, Chief Executive Officer, and a Director of the Fund.
- (3) Mr. Kwong is also the Chief Financial Officer and Secretary of the Fund.
- (4) Kelly Edmison, David Barr and Kelvin Kwong are also shareholders of the Manager.

## **Management Fees**

### ***Annual Management Fees***

Under the Management Agreement, the Manager is entitled to be paid an annual management fee (the "**Management Fee**") equal to 2.50% of the Net Asset Value of the Fund up to \$50 million and 2.00% of the Net Asset Value of the Fund in excess of \$50 million. This Management Fee is calculated monthly, by multiplying the Fund's Net Asset Value on the last valuation date in the month in respect of which the fee is payable by the applicable percentage and dividing by twelve, and will be paid on receipt of the Manager's invoice therefore.

### ***Performance Fee***

Under the Management Agreement, the Manager is entitled to be paid a performance fee (the "Performance Fee"), the amount and basis of which is in accordance with practices typical within the venture capital industry. The Performance Fee is payable annually in arrears, and is equal to 20% of the amount by which the increase in the Fund's Net Asset Value exceeds an annual return of 6% since the most recent date as of which the Fund paid a Performance Fee (or, if no Performance has ever been paid, then since the Performance Fee commencement date).

Any Performance Fee paid to the Manager in respect of any year shall not be subsequently refunded by virtue of a reduction in the Net Asset Value.

The Performance Fee will be calculated and paid annually in arrears. In the event that the Management Agreement is terminated, the Performance Fee will continue to be payable in respect of the month in which termination occurs.

The Management Fees and Performance Fees 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 be paid or reimbursed by the Fund. The Manager is also separately reimbursed for all expenses incurred by the Manager for administrating the day-to-day operations of the Fund.

The calculation of any Performance Fee and the determination as to whether such a fee is payable to the Manager is a complex process. Shareholders are advised to refer to the Fund's current annual information form and most recent audited financial statements for more details.

### ***Fees Paid in 2016***

During the fiscal year ended December 31, 2016 the Manager was paid Management Fees of \$540,541, however, no Performance Fees were paid in 2016.

### **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

No director, executive officer, proposed nominee, or informed person of the Fund or any associate or affiliate of any such person has, since the commencement of the last fiscal 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 has materially affected or would materially affect the Fund or any of its subsidiaries, other than as set forth under "Management Contracts", "Particulars of Additional Matters to be Acted Upon – Shareholder Approval of Certain Fees and Remuneration" and "Particulars of Additional Matters to be Acted Upon – Shareholder Approval of Management Fees", or as set forth as follows.

#### ***Kelly Edmison Chairman, Director and Shareholder of the Fund***

- (a) Mr. Edmison is a director, officer and shareholder of the Manager;
- (b) Mr. Edmison is a shareholder of BasicGov Systems, Inc. a company in which the Fund has made an investment;
- (c) Mr. Edmison is a shareholder of D-Wave Systems, Inc., a company in which the Fund has made an investment.

#### ***David Barr President, Chief Executive Officer, Director and Shareholder of the Fund***

- (a) Mr. Barr is a director, officer and shareholder of the Manager;
- (b) Mr. Barr is a director of One45 Software Inc., a company in which the Fund has made an investment; and
- (c) Mr. Barr is a shareholder of Espial Group Inc., a company in which the Fund has made an investment.

#### ***Kelvin Kwong Chief Financial Officer, Secretary and Shareholder of the Fund***

- (a) Mr. Kwong is a director and secretary of BasicGov Systems, Inc., a company in which the Fund has made an investment;
- (b) Mr. Kwong is a shareholder of Espial Group Inc., a company in which the Fund has made an investment; and
- (c) Mr. Kwong is a Director, Officer, Secretary, and shareholder of the Manager.

**Wendy Porter**  
**Director and Shareholder of the Fund**

- (a) Ms. Porter is a shareholder of Espial Group Inc., a company in which the Fund has made an investment.

**Ian Power**  
**Director and Shareholder of the Fund**

None.

**INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

Except as otherwise disclosed herein, none of:

- (a) the directors or senior officers of the Fund at any time since the beginning of the last financial year of the Fund;
- (b) the proposed nominees for election as a director of the Fund; or
- (c) any associate or affiliate of the foregoing persons,

has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matters to be acted upon at the Meeting, except for any interest arising from the ownership of shares of the Fund where the shareholder will receive no extra or special benefit or advantage not shared on a pro-rata basis by all holders of shares in the capital of the Fund, other than the election of directors or the appointment of Auditors.

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

**ADDITIONAL INFORMATION**

Additional information relating to the Fund is available on the SEDAR website at [www.sedar.com](http://www.sedar.com) or on the Fund's website at [www.pendergrowthfund.com](http://www.pendergrowthfund.com). The Fund's Annual Information Form (AIF) includes a discussion on the Fund's corporate governance can be found at both websites.

If you wish to receive a copy of the Fund's AIF, audited annual financial statements, unaudited semi-annual financial statements or Management Report of Fund Performance, please contact the Fund at Suite 1640, 1066 West Hastings Street Vancouver, British Columbia, V6E 3X1; or by phone: (604) 688-1511; or email: [info@pendergrowthfund.com](mailto:info@pendergrowthfund.com) and a copy of the documents you requested will be forwarded to you without charge. We will send you a reminder each year to determine whether you would like to receive such documents.

**OTHER MATTERS TO BE ACTED UPON**

Management of the Fund knows of no matters to come before the Meeting other than those referred to in the Notice accompanying this Information Circular. However, if any other matters properly come before the meeting, it is the intention of the persons named in the form of proxy accompanying this Information Circular to vote the same in accordance with their best judgment of such matters.

**APPROVAL OF THE BOARD OF DIRECTORS**

The contents of this Information Circular have been approved, and the delivery of it to each shareholder of the Fund entitled thereto and to the appropriate regulatory agencies, has been authorized by the Board of Directors of the Fund.

DATED at Vancouver, British Columbia, this 11<sup>th</sup> day of May, 2017.

By Order of the Board of Directors of

**PENDER GROWTH FUND INC.**

*"J. Kelly Edmison"*

J. KELLY EDMISON

Chairman