

September 25, 2008

Dear Fellow Unitholder,

Borealis Acquisition Corporation, a special purpose investment entity managed by Borealis Infrastructure Management Inc., made an unsolicited offer to acquire all of the outstanding trust units of Teranet Income Fund and all of the Class B limited partnership units of Teranet Holdings Limited Partnership at a price of \$11.00 in cash per unit. The Borealis offer dated September 12, 2008 is inadequate and the Board of Trustees of Teranet Income Fund has unanimously recommended that you **REJECT** the Borealis offer and **NOT TENDER** your Teranet units to the offer.

We believe that the Borealis offer of \$11.00 per unit is financially inadequate, especially considering that in the past Borealis represented that it was prepared to offer \$12.00 per unit. Teranet and its financial advisors are actively engaged in discussions with a number of third parties who have expressed an interest in considering alternative transactions involving Teranet that may offer greater value for unitholders. We recommend that you reject the Borealis offer and allow this process to run its full course before taking any action.

The Borealis offer does not reflect the full value of our ongoing high-margin business, strategic acquisitions and initiatives, and long term growth potential. Teranet is a unique company with strong infrastructure-type characteristics built on top of a powerful technology platform. We have identified opportunities to leverage our existing expertise into new product categories and industries, such as financial services and healthcare.

Reasons for Rejection

The Board of Trustees, assisted by its financial and legal advisors, has carefully reviewed the Borealis offer and believes that it fails to provide full value for Teranet. The principal factors considered by the Board of Trustees in concluding to recommend that unitholders **REJECT** the offer and **NOT TENDER** their units are listed below and set out in the attached Trustees' Circular (see "Summary — Reasons for Rejection" and "Reasons for Rejection"). The Trustees' Circular has also been filed on SEDAR at www.sedar.com and is available on the Teranet website at www.teranet.ca. You are urged to read the Trustees' Circular in its entirety.


- *The Offer is inadequate.*
- *The Offer is less than what Borealis was previously prepared to offer.*
- *Superior proposals delivering greater value for Unitholders may emerge.*
- *The Offer is opportunistic and disadvantageous to Unitholders.*
- *The Offer is highly conditional and not a firm offer.*
- *The Offer does not reflect the value of the Fund's strategic acquisitions and recent initiatives.*
- *The Offer is not a "permitted bid" under the Fund's Unitholder Rights Plan.*
- *Rejection of the Offer by all of the Trustees, Directors and officers of Teranet.*

After you have read the Trustees' Circular, if you have any questions please contact Tanis Robinson, our Manager of Investor Relations (Tel: 416-643-1096; Email: tanis.robinson@teranet.ca.)

To reject the Offer, you should do nothing. If you have already tendered your trust units or Class B LP units to the Borealis offer you can withdraw them at any time before the units deposited in acceptance of the offer have been taken up by Borealis, so long as the units have not been paid for by Borealis within three business days after having been taken up. If you have tendered your trust units you can contact your broker, who will withdraw the units on your behalf. If you have tendered your Class B LP units you can contact the depositary, Computershare Investor Services Inc. (Tel: 1-800-564-6253 or 1-514-982-7555; Email: corporateactions@computershare.com).

Once again, our recommendation is that you **REJECT** the Borealis Offer and **NOT TENDER** your units to the offer.

Sincerely,



Jon N. Hagan
Chairman of the Board of Trustees
Teranet Income Fund



Aristides M. S. Kaplanis
President and Chief Executive Officer
Teranet Inc.

This Circular is important and requires your immediate attention. If you are in doubt as to how to respond to the Offer described in this Circular, please consult your investment dealer, stockbroker, lawyer or other professional advisor.



TRUSTEES' CIRCULAR

RECOMMENDING

REJECTION

OF THE OFFER BY

BOREALIS ACQUISITION CORPORATION

A SPECIAL PURPOSE INVESTMENT ENTITY MANAGED BY

BOREALIS INFRASTRUCTURE MANAGEMENT INC.

DATED SEPTEMBER 12, 2008

**TO ACQUIRE ALL OF THE OUTSTANDING TRUST UNITS
(TOGETHER WITH ASSOCIATED RIGHTS UNDER THE UNITHOLDER RIGHTS PLAN) OF**

TERANET INCOME FUND

**AND ALL OF THE OUTSTANDING CLASS B LIMITED PARTNERSHIP UNITS
(TOGETHER WITH ASSOCIATED SPECIAL VOTING RIGHTS AND
RIGHTS UNDER THE UNITHOLDER RIGHTS PLAN) OF
TERANET HOLDINGS LIMITED PARTNERSHIP**

**This Trustees' Circular contains a unanimous recommendation of the
Board of Trustees of Teranet Income Fund that Unitholders should
REJECT the Offer and NOT TENDER their Trust Units or Class B LP Units to the Offer.**

NOTICE TO UNITHOLDERS IN THE UNITED STATES

This Circular has been prepared in accordance with Canadian disclosure requirements. Unitholders should be aware that such requirements are different from those of the United States and other non-Canadian jurisdictions. Teranet Income Fund's financial statements are prepared in accordance with Canadian generally accepted accounting principles and are subject to Canadian auditing and auditor independence standards and thus may not be comparable to financial statements of the United States and other non-Canadian jurisdictions. The enforcement by investors of civil liabilities under securities laws of jurisdictions outside Canada may be affected adversely by the fact that Teranet Income Fund is organized under the laws of the Province of Ontario, that a majority of its trustees are residents of Canada, that some or all of the experts named in this Circular are residents of Canada, and that a significant portion of the assets of Teranet Income Fund are located outside the United States. You may not be able to sue Teranet Income Fund or its trustees or the officers and directors of Teranet Inc., the administrator of Teranet Income Fund, in a Canadian court for violations of United States or other non-Canadian securities laws. It may be difficult to compel Teranet Income Fund and its affiliates to subject themselves to the jurisdiction of a court in the United States or other non-Canadian jurisdiction or to enforce a judgment obtained from a court in the United States or other non-Canadian jurisdiction. This transaction has not been approved or disapproved by any United States or other securities regulatory authority, nor has any such authority passed upon the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence.

September 25, 2008

GENERAL INFORMATION

Certain capitalized terms used in this Circular that are not otherwise defined have the respective meaning set out in the “Glossary” attached as Appendix “A” to this Circular.

Currency

In this Circular, references to “\$” and “dollars” are to the lawful currency of Canada. **All dollar amounts herein are in Canadian dollars, unless otherwise stated.**

Notice Regarding Information

Certain information in this Circular has been taken from or is based on documents that are expressly referred to in this Circular. All summaries of, and references to, documents that are specified in this Circular as having been filed, or that are contained in documents specified as having been filed, on the system for electronic document analysis and retrieval (“**SEDAR**”) are qualified in their entirety by reference to the complete text of those documents as filed, or as contained in documents filed, on SEDAR at www.sedar.com. Unitholders are urged to read carefully the full text of those documents, which may also be obtained on request without charge from the Fund at 1 Adelaide Street East, Suite 600, Toronto, Ontario M5C 2V9.

Information contained in this Circular concerning the Offeror and the Offer is based solely upon, and the Board of Trustees has relied, without independent verification, exclusively upon information contained in the Offeror Circular, provided to the Fund by the Offeror, or that is otherwise publicly available. While the Board of Trustees has no reason to believe that such information is inaccurate or incomplete, the Board of Trustees does not assume any responsibility for the accuracy or completeness of the Offeror Circular or any such information contained therein or for information that is otherwise publicly available. You are urged to read the Offeror Circular carefully and in its entirety. The Offeror Circular is available on SEDAR at www.sedar.com.

Forward-Looking Information

Certain statements contained in this Circular constitute forward-looking information. The use of any of the words “anticipate”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “should”, “believe”, “plans”, “intends”, and similar expressions are intended to identify forward-looking information. This information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. Such forward-looking information is based on current internal expectations, estimates, projections, assumptions and beliefs of management of the Fund and the Fund believes the expectations reflected in such forward-looking information are reasonable. However, no assurance can be given that these expectations will prove to be correct and the forward-looking information speaks only as of the date of this Circular and none of the Fund, the Trustees of the Fund, Teranet or the Directors of Teranet undertakes any obligation to publicly update or revise any forward-looking information contained in this Circular, except as required by applicable laws.

Financial Information

All financial information included herein has been prepared in accordance with Canadian generally accepted accounting principles (“**GAAP**”).

Availability of Disclosure Documents

The Fund is a reporting issuer or equivalent in all of the provinces and territories of Canada and files its continuous disclosure documents with the Canadian provincial and territorial securities authorities. Continuous disclosure documents are available at www.sedar.com.

No Personal Liability

The statements made in this Circular are, to the extent they are the responsibility of the Board of Trustees or the Board of Directors, the responsibility of the Board of Trustees or the Board of Directors in their capacity as Trustees and/or Directors, respectively, and not in their personal capacity, and except as expressly otherwise required by law, any recourse against the Fund, the Trustees, the Directors or any Unitholders of the Fund in respect of any indebtedness, obligation or liability of the Fund, if any, arising under or in connection with this Circular or the matters to which it relates, including (without limitation) claims based on negligence or other tortious behaviour, shall be limited to, and satisfied only out of, the assets of the Fund and in no event shall the Trustees or the Directors be personally liable for any statements contained herein nor shall resort be had to, or redress, recourse or satisfaction from, the private and/or personal property of the Trustees, the Directors or Unitholders.

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SUMMARY

The information set out below is intended as a summary only and is qualified in its entirety by the more detailed information appearing elsewhere in this Circular. This Circular should be read carefully and in its entirety by Unitholders as it provides important information regarding the Fund, the Partnership, the Offeror and the Offer. All capitalized terms in the Summary have the meanings ascribed to such terms elsewhere in this Circular.

Trustees' Recommendation

The Board of Trustees UNANIMOUSLY recommends that Unitholders REJECT the Offer and NOT TENDER their Trust Units or Class B LP Units to the Offer.

Each of the Trustees, the Directors and the officers of Teranet has indicated his or her intention not to accept the Offer.

Reasons for Rejection

The Board of Trustees has carefully reviewed the Offer and believes that the Offer is inadequate and fails to recognize the full value of the Fund. The principal factors considered by the Board of Trustees in concluding to recommend that Unitholders REJECT the Offer and NOT TENDER their Trust Units or Class B LP Units to the Offer include:

- ***The Offer is inadequate.*** The Board of Trustees believes that the Offer is inadequate. On September 25, 2008, each of the Financial Advisors provided their Opinion to the Special Committee, the Board of Trustees and the Board of Directors to the effect that, as of that date and subject to the assumptions, limitations, and qualifications set out therein, the consideration offered to Unitholders pursuant to the Offer is inadequate, from a financial point of view, to Unitholders other than the Offeror, Borealis and OMERS. The full text of each of the Opinions, setting out the assumptions made, matters considered and limitations and qualifications on the review undertaken in connection with each Opinion, is attached as Appendix "B" to this Circular and should be reviewed and considered in its entirety.
- ***The Offer is less than what Borealis was previously prepared to offer.*** On several occasions in the past, Borealis has represented that it was prepared to acquire all of the Trust Units and Class B LP Units at a price of \$12 per Unit. See "Background to the Offer".
- ***Superior proposals delivering greater value for Unitholders may emerge.*** The Fund and the Financial Advisors are actively engaged in discussions with a number of third parties who have expressed an interest in considering alternative transactions involving the Fund that may offer greater value for Unitholders. Over 10 parties have executed confidentiality and standstill agreements with the Fund to date. The Board of Trustees is pursuing all such initiatives with the objective of maximizing value to all Unitholders.
- ***The Offer is opportunistic and disadvantageous to Unitholders.*** The Offer was made while Borealis was aware that a process to maximize Unitholder value had been initiated. See "Background to the Offer". Borealis was aware of the process as they were invited to participate in it, but declined to do so. The Offer is an opportunistic attempt to make a pre-emptive bid for the Fund and is disadvantageous to Unitholders since it is an attempt to circumvent the process that was underway. A number of parties are now participating in this process. The Fund believes that there are a number of parties that have the reputation, technical expertise, financial capability and capacity to ensure continued reliable, high quality service delivery by Teranet of the services for which it is responsible under its agreements with the Province.
- ***The Offer is highly conditional and not a firm offer.*** The Offer contains 18 conditions, some of which contain numerous sub-conditions, which must be satisfied or waived before the Offeror is obligated to take up and pay for any securities deposited under the Offer. A number of the conditions provide Borealis with broad, sole discretion and are not subject to any materiality thresholds or other objective criteria commonly found in other offers, in effect, providing Borealis the option to decline to proceed with the

Offer. In particular, the Offer is conditional on the Province providing its approval of (i) the consummation of the Offer, (ii) the subsequent acquisition of all Units that were not tendered to the Offer, (iii) the restructuring of the Fund and its subsidiaries, and (iv) the granting by the restructured Fund and its subsidiaries of security in their respective assets. To the Fund's knowledge, the Province has not provided its approval to Borealis and the Fund believes that it is unlikely that such approval will be granted before the current Expiry Time. Unlike most conditions under a take-over bid that may be waived, Borealis cannot waive the condition that the Province provide its approval.

- ***The Offer does not reflect the value of the Fund's strategic acquisitions and recent initiatives.*** The Offer does not reflect the intrinsic value of the Units as it fails to take into account the value created for Unitholders as a result of the Fund's ongoing strategic growth initiatives. In addition to organic growth as a result of the increase and continued automation of the land parcel base, Teranet has identified a number of opportunities to leverage its existing expertise and product portfolio to adapt products for new customers and new applications. Teranet has also identified a number of opportunities to leverage its technology platform and strong relationships to expand into other industries and to provide new products for existing customers.
- ***The Offer is not a "permitted bid" under the Fund's Unitholder Rights Plan.*** Borealis could have structured its Offer as a "permitted bid" under the Fund's Unitholder Rights Plan, which is designed to provide the Board of Trustees and Unitholders with sufficient time to properly consider any take-over bid made for the Fund and to allow enough time for competing bids and alternative proposals to emerge pursuant to the process which is currently underway. However, Borealis chose not to do so and is seeking to limit the ability of the Board of Trustees to pursue superior transactions for the benefit of Unitholders.
- ***Rejection of the Offer by all of the Trustees, Directors and officers of Teranet.*** None of the Trustees, the Directors or officers of Teranet has accepted or intends to accept the Offer.

The Offer is open until 5:00 p.m. (Toronto time) on October 17, 2008. There is no need for Unitholders to take any action with respect to the Offer at this time. Unitholders who, notwithstanding the Board of Trustees' recommendation to REJECT the Offer, decide to tender to the Offer, should only do so immediately prior to the Expiry Time.

To reject the Offer, YOU SHOULD DO NOTHING.

**If you have already tendered Trust Units to the Offer,
you can withdraw your Units by contacting your broker.**

**If you have already tendered Class B LP Units to the Offer, you can withdraw
your Class B LP Units by contacting the depository, Computershare Investor Services Inc.
(Tel: 1.800.564.6253 (North America — Toll Free) or 1.514.982.7555 (Overseas)
Email: corporateactions@computershare.com).**

TRUSTEES' CIRCULAR

This Trustees' Circular dated September 25, 2008 (the "**Circular**") is issued by the Board of Trustees of Teranet Income Fund (the "**Fund**") in connection with the offer (the "**Offer**") made by Borealis Acquisition Corporation (the "**Offeror**"), a special purpose investment entity managed by Borealis Infrastructure Management Inc. ("**Borealis**") to unitholders of the Fund (the "**Unitholders**") to purchase all of the issued and outstanding trust units of the Fund together with the rights (the "**URP Rights**") associated therewith under the Unitholder Rights Plan (the "**Trust Units**") and all of the issued and outstanding Class B limited partnership units of Teranet Holdings Limited Partnership (the "**Partnership**") together with Special Voting Units and URP Rights associated therewith (the "**Class B LP Units**") (the Trust Units and the Class B LP Units being collectively referred to as the "**Units**") on the basis of \$11.00 for each Unit, upon the terms and subject to the conditions of the Offer set forth in the Offeror's offer and circular dated September 12, 2008 (the "**Offeror Circular**").

Information herein relating to the Offeror and the Offer has been derived from the Offeror Circular, provided to the Fund by the Offeror or is otherwise publicly available. While the Board of Trustees has no reason to believe that such information is inaccurate or incomplete, the Board of Trustees does not assume any responsibility for the accuracy or completeness of the Offeror Circular or any such information contained therein or for information that is otherwise publicly available. You are urged to read the Offeror Circular carefully and in its entirety. The Offeror Circular is available on SEDAR at www.sedar.com.

RECOMMENDATION OF THE BOARD OF TRUSTEES

The Board of Trustees believes that the Offer is inadequate, fails to recognize the full value of the Fund and is an opportunistic attempt by Borealis to acquire the Fund without offering fair value to Unitholders.

The Board of Trustees unanimously recommends that Unitholders REJECT the Offer and NOT TENDER their Trust Units or Class B LP Units to the Offer.

Each of the Trustees, the Directors and the officers of Teranet has indicated his or her intention not to accept the Offer.

The Board of Trustees believes that the Offer made by the Offeror to purchase all of the outstanding Trust Units and Class B LP Units is not in the best interests of the Fund and Unitholders. In making its recommendation, the Board of Trustees consulted with the Special Committee of independent Directors established by the Board of Trustees of the Fund and the Board of Directors of Teranet Inc. ("**Teranet**") to manage the process to maximize Unitholder value and consulted with legal and financial advisors, including RBC Dominion Securities Inc. ("**RBCDS**") and CIBC World Markets Inc. ("**CIBC World Markets**") (RBCDS and CIBC World Markets being collectively referred to as the "**Financial Advisors**"), and considered all aspects of the Offer. The Board of Trustees identified a number of factors set out below as being most relevant to its recommendation to Unitholders to REJECT the Offer.

REASONS FOR REJECTION

1. The Offer is inadequate.

The Board of Trustees believes that the Offer is inadequate. On September 25, 2008, each of RBCDS and CIBC World Markets provided their opinion to the Special Committee, the Board of Trustees and the Board of Directors (the "**Opinions**") to the effect that, as of that date and subject to the assumptions, limitations, and qualifications set out therein, the consideration offered to Unitholders pursuant to the Offer is inadequate, from a financial point of view, to Unitholders other than the Offeror, Borealis and OMERS. The full text of each of the Opinions, setting out the assumptions made, matters considered and limitations and qualifications on the review undertaken in connection with the Opinion, is attached as Appendix "B" to this Circular and should be reviewed and considered in its entirety.

2. The Offer is less than what Borealis was previously prepared to offer.

On several occasions in the past, Borealis has represented that it was prepared to acquire all of the Trust Units and Class B LP Units at a price of \$12 per Unit. See “Background to the Offer”.

3. Superior proposals delivering greater value for Unitholders may emerge.

Starting in early 2007, the Board of Trustees and the Board of Directors have been working to evaluate a range of strategic alternatives to maximize Unitholder value. Capital and debt market conditions resulted in this process being suspended for a period of time, but it was started again in the summer of 2008. Since August 2008, the Board of Trustees and the Board of Directors have intensified their efforts in connection with this process, and together with the Fund’s management, financial and legal advisors, have initiated contact with and have been solicited by a number of third parties who have expressed an interest in considering alternative transactions. To date, over 10 parties have signed confidentiality and standstill agreements in order to access the Fund’s confidential information. The Fund is actively engaged in discussions regarding alternative transactions that may offer greater value for Unitholders. The Board of Trustees and the Board of Directors are pursuing all such initiatives with the objective of maximizing value to all Unitholders and have met with a number of these third parties to describe the merits of an acquisition of the Fund.

As of the date of this Circular, it is premature to predict whether any transaction will emerge from these efforts and discussions. However, the Board of Trustees believes that the Fund and its assets are potentially very attractive to other parties in addition to Borealis and tendering Units to the Offer before the Fund and the Financial Advisors have had an opportunity to fully explore all available alternatives to the Offer may preclude the possibility of superior alternative transactions emerging.

4. The Offer is opportunistic and disadvantageous to Unitholders.

The Offer was made while Borealis was aware that a process to maximize Unitholder value had been initiated. See “Background to the Offer”. Borealis was aware of the process as they were invited to participate in it, but declined to do so. The Offer is an opportunistic attempt to make a pre-emptive bid for the Fund and is disadvantageous to Unitholders since it is an attempt to circumvent the process that was underway. A number of parties are now participating in this process. The Fund believes that there are a number of parties that have the reputation, technical expertise, financial capability and capacity to ensure continued reliable, high quality service delivery by Teranet of the services for which it is responsible under its agreements with the Province.

5. The Offer is highly conditional and not a firm offer.

The Offer contains 18 conditions, some of which contain numerous sub-conditions, which must be satisfied or waived before the Offeror is obligated to take up and pay for any securities deposited under the Offer. A number of the conditions provide Borealis with broad, sole discretion and are not subject to any materiality thresholds or other objective criteria commonly found in other offers, in effect, providing Borealis the option to decline to proceed with the Offer.

In particular, the Offer is conditional on the Province providing its approval of (i) the consummation of the Offer, (ii) the subsequent acquisition of all Units that were not tendered to the Offer, (iii) the restructuring of the Fund and its subsidiaries, and (iv) the granting by the restructured Fund and its subsidiaries of security in their respective assets. To the Fund’s knowledge, the Province has not provided its approval and the Fund believes that it is unlikely that such approval will be granted before the current Expiry Time. Unlike most conditions under a take-over bid that may be waived, Borealis cannot waive the condition that the Province provide its approval.

6. The Offer does not reflect the value of the Fund’s strategic acquisitions and recent initiatives.

The Offer does not reflect the intrinsic value of the Units as it fails to take into account the value created for Unitholders as a result of the Fund’s ongoing strategic growth initiatives. In addition to organic growth as a result of the increase and continued automation of the land parcel base, Teranet has identified a number of opportunities to leverage its existing expertise and product portfolio to adapt products for new customers and

new applications. Teranet has also identified a number of opportunities to leverage its technology platform and strong relationships to expand into other industries and to provide new products for existing customers.

Teranet has a proven track record of executing upon its growth initiatives. Most recently, Teranet acquired the Ontario component of the search and registration and legal corporate supplies business of Dye & Durham, acquired Do Process Software Ltd., was awarded the contract to collect the Municipal Land Transfer Tax on behalf of the City of Toronto and was awarded a healthcare contract to provide hosting services to 33 hospitals across Ontario. Revenue from other value-added services increased by 44% and 51% in the first and second quarter of 2008, respectively, relative to the same period in the prior year. Since 2005, other value-added services revenue has grown at a compound annual growth rate of approximately 31%.

The Offer does not adequately reflect the benefits that would accrue to Unitholders upon the realization of the Fund's strategic initiatives.

7. The Offer is not a "permitted bid" under the Fund's Unitholder Rights Plan.

The purpose of the Unitholder Rights Plan is to provide the Board of Trustees, the Special Committee and Unitholders with sufficient time to properly consider any take-over bid made for the Fund and to allow enough time for competing bids and alternative proposals to emerge. The Unitholder Rights Plan also seeks to ensure that all Unitholders are treated fairly in any transaction involving a change of control of the Fund and to have an equal opportunity to participate in the benefits of a take-over bid. The Unitholder Rights Plan encourages potential acquirors to negotiate the terms of offers for Units with the Board of Trustees or to make a Permitted Bid (as defined in the Unitholder Rights Plan) without the approval of the Board of Trustees.

Under the Unitholder Rights Plan, a Permitted Bid is a bid made to all Unitholders for all of their Units on identical terms and conditions that is open for at least 60 days. If at the end of 60 days at least 50% of the outstanding Units, other than those owned by the offeror and certain related parties, have been tendered and not withdrawn, the offeror may take up and pay for the Units but must extend the bid for a further 10 days to allow all other Unitholders to tender.

A Permitted Bid would, among other things, provide additional time for the exploration, development and pursuit of alternatives that are currently underway that could maximize Unitholder value.

The Fund has had a Unitholder Rights Plan since September 10, 2008. Borealis could have made a Permitted Bid but chose not to do so. As a result, Borealis is seeking to limit the ability of the Board of Trustees to pursue superior transactions for the benefit of Unitholders.

8. Rejection of the Offer by all of the Trustees, Directors and officers of Teranet.

The Board of Trustees has been informed that, as of the date of this Circular, none of the Trustees, Directors or officers of Teranet has accepted or intends to accept the Offer. The Trustees, Directors and officers of Teranet control or exercise control or direction over an aggregate of 1,871,911 Units or 1.21% of the Units on a Fully-Diluted Basis.

HOW TO WITHDRAW TENDERED UNITS

Unitholders who have already tendered their Trust Units or Class B LP Units to the Offer can withdraw them at any time before the Units deposited in acceptance of the Offer have been taken up by the Offeror, so long as the Units have not been paid for by the Offeror within three Business Days after having been taken up. Unitholders who have tendered their Trust Units can contact their broker, who will withdraw the Trust Units on their behalf. Unitholders who have tendered their Class B LP Units can contact the depository, Computershare Investor Services Inc. (Tel: 1.800.564.6253 (North America — Toll Free) or 1.514.982.7555 (Overseas) Email: corporateactions@computershare.com).

TERANET INCOME FUND AND TERANET HOLDINGS LIMITED PARTNERSHIP

The Fund

The Fund is an open-ended limited purpose trust created by a declaration of trust dated May 8, 2006, as amended and restated on June 6, 2006 and governed by the laws of the Province of Ontario. Pursuant to an administration agreement dated June 16, 2006, the Fund retained Teranet to provide administration and support services to the Fund. The registered and head office of the Fund is located at 1 Adelaide Street East, Suite 600, Toronto, Ontario M5C 2V9.

The Fund was created to indirectly acquire all of the outstanding shares of Teranet. The Fund may also hold other investments in entities engaged, directly or indirectly, in the business of providing other integrated information products and services, as well as activities ancillary and incidental thereto, and such other investments as the Trustees may determine.

Teranet primarily operates and supports a system of electronic registration of interests in real property in Ontario and creates and markets value-added products and services in connection with such system. Teranet has also identified a number of opportunities to leverage its technology platform and strong relationships to expand into other industries.

The Board of Trustees is comprised of three Trustees who are also Directors. The Board of Directors consists of seven Directors, all of whom, with the exception of Aristides M. S. Kaplanis, who is also the President and Chief Executive Officer of Teranet, are independent as defined by Section 1.4 of Multilateral Instrument 52-110 — *Audit Committees*. Given that the Fund has no business activities and that all of the Trustees are also Directors, it was deemed appropriate to have the corporate governance practices of the Fund at the Teranet level. Therefore, the Board of Trustees fulfills its mandate directly and through committees of the Board of Directors at regularly scheduled meetings or as required.

As of September 24, 2008, there were 150,410,862 Trust Units issued and outstanding (154,136,100 Units on a Fully-Diluted Basis).

The Fund is a reporting issuer or the equivalent in all provinces and territories of Canada (where such concept exists) and files its continuous disclosure documents with Canadian securities regulatory authorities. Such documents are available at www.sedar.com.

The Partnership

The Partnership is a limited partnership established under the laws of the Province of Ontario and governed by an amended and restated limited partnership agreement dated June 6, 2006. The general partner of the Partnership is Teranet General Partner Inc. The Partnership is the sole shareholder of Teranet. The registered and head office of the Partnership is located at 1 Adelaide Street East, Suite 600, Toronto, Ontario M5C 2V9.

As of September 24, 2008, there were 3,725,238 Class B LP Units issued and outstanding.

THE OFFEROR

The Offeror was incorporated under the *Canada Business Corporations Act* on September 4, 2008. The Offeror is a special purpose investment entity managed by Borealis, the investment entity of OMERS, and was formed and organized solely for the purpose of making the Offer. The Offeror's registered office and principal place of business is located at 200 Bay Street, Suite 2100, PO Box 56, Toronto, Ontario M5J 2J2.

THE OFFER

The Offer consists of an offer to purchase all of the issued and outstanding Trust Units and all of the issued and outstanding Class B LP Units, including Units which become outstanding on the exercise of options or other rights to purchase Units (other than URP Rights) at a price in cash of \$11.00 per Unit, upon the terms and subject to the conditions of the Offer set out in the Offeror's Circular.

The Offer is made only for Trust Units and Class B LP Units and is not made for any options or other rights (other than the URP Rights and the Class B LP Units) to acquire Trust Units or Class B LP Units. Any holder of such options or rights (other than a holder of Class B LP Units) who wishes to accept the Offer must, to the extent permitted by the terms thereof, exercise, exchange or convert, as applicable, such options or rights in order to obtain Trust Units or a certificate or certificates representing Class B LP Units and deposit the resulting Trust Units or Class B LP Units in accordance with the Offer.

The Offer is subject to the minimum tender condition that (i) at least 66 $\frac{2}{3}$ % of the Trust Units outstanding at the time of take-up, calculated on a Fully-Diluted Basis, (ii) at least 66 $\frac{2}{3}$ % of the Class B LP Units outstanding at the time of take-up, and (iii) at least a majority of the Trust Units outstanding at the time of take-up, calculated on a Fully-Diluted Basis, the votes attached to which would be included in the minority approval of a second step business combination or going private transaction pursuant to Multilateral Instrument 61-101 — *Protection of Minority Shareholders in Special Transactions* or similar Law be tendered to the Offer, and 17 other conditions that must be satisfied or waived prior to the time the Offeror proposes to accept Units for take-up under the Offer, including the condition that the Province consent to the consummation of the Offer.

The purpose of the Offer is to enable the Offeror to acquire all of the outstanding Units. If the Offeror takes up the Trust Units and Class B LP Units validly deposited under the Offer, the Offeror intends to acquire all of the remaining Units not deposited under the Offer by way of a compulsory acquisition (a "**Compulsory Acquisition**") by relying upon the broad power of attorney granted by each Unitholder depositing Trust Units and Class B LP Units in the applicable Letter of Acceptance and Transmittal and amending the Declaration of Trust. If a Compulsory Acquisition is not available or Borealis elects not to proceed that way, the Offer contemplates a subsequent acquisition transaction or another transaction.

The expiry time of the Offer is stated to be 5:00 p.m. (Toronto time) (the "**Expiry Time**") on October 17, 2008 (the "**Expiry Date**"), unless the Offer is withdrawn or extended. Reference is made to the Offeror Circular for details of additional terms and conditions of the Offer. **There is no need for Unitholders to take any action with respect to the Offer at this time. Unitholders who, notwithstanding the Board of Trustees' recommendation to reject the Offer, decide to tender to the Offer should only do so immediately prior to the Expiry Time.**

BACKGROUND TO THE OFFER

The decision of the Board of Trustees to reject the Offer and to recommend that Unitholders not tender their Trust Units and/or Class B LP Units is the result of a process that commenced in the first quarter of 2007. The following is a summary of the material meetings, discussions and actions that preceded this Circular.

On October 31, 2006, the Minister of Finance (Canada) announced proposed changes to federal tax legislation (which have now been enacted) that would effectively end the tax benefits of the income trust structure for most trusts by 2011 (the "**New SIFT Rules**"). After this announcement, in early 2007, numerous trusts announced intentions to explore strategic alternatives. In the course of fulfilling their fiduciary duties to Teranet and the Fund to maximize Unitholder value, the Trustees and Directors authorized Teranet to enter into engagements with each of the Financial Advisors dated March 9, 2007 as part of a strategic review in the face of the New SIFT Rules. At a Board of Directors' meeting on May 9, 2007, the Directors and management discussed

strategic alternatives to maximize Unitholder value and concluded that it was important to establish a process with the Financial Advisors in order to explore what strategic alternatives existed for the Fund. Within the next few weeks, the Fund worked towards establishing such a process. On May 29, 2007, the Financial Advisors made a presentation to the Board of Directors on various strategic alternatives that were available to the Fund to maximize Unitholder value.

Borealis' first formal contact regarding acquiring the Fund came in the form of a letter dated June 25, 2007. This letter outlined an expression of interest and requested a response by 2 p.m. on June 29, 2007. The letter proposed a price per Unit of \$11 to \$12, subject to numerous conditions. Based on the closing price on the day the letter was dated, \$11 per Unit represented a premium of approximately 11.56%. The letter clearly stated that it was a non-binding expression of interest only and that a transaction could be structured as an offer to purchase the Units or the assets of the Partnership or Teranet. In the letter, Borealis requested to begin good faith negotiations with an exclusivity period and a number of pre-conditions and also stated: "The Senior Management of Borealis and OMERS and the Investment Committee of OMERS are aware of this proposal. Final approval of the Board of Directors will be required prior to entering into definitive documentation." The letter also indicated that financing had not been finalized and Borealis was working with a major Canadian bank to arrange potential debt financing.

On June 26, 2007, Mr. Kaplanis called a representative of Borealis to say that the Fund would not be responding by the June 29th deadline. On June 27, 2007, there was a meeting of the Trustees and Directors at which the Financial Advisors gave another presentation concerning strategic alternatives and, among other things, the letter from Borealis was discussed. The Trustees and Directors agreed that it was not in the best interests of the Fund to consider and pursue exclusive discussions with Borealis based on the letter and they should examine all of their options. Mr. Kaplanis relayed this to a representative of Borealis and thanked him for their expression of interest. This was also discussed at a meeting on July 26, 2007 between Mr. Kaplanis and Michael Rolland, the President and Chief Executive Officer of Borealis.

The Trustees and the Board of Directors continued to evaluate strategic alternatives during the summer of 2007. The Financial Advisors attended a meeting of the Board of Directors on August 8, 2007 to provide an update on market conditions. It was agreed that the Financial Advisors would be asked for a market update in September and for specific recommendations on how to proceed.

Although there had been no correspondence of consequence since June 2007, Teranet received a second letter from Borealis dated September 18, 2007. This letter expressed Borealis' desire to meet to discuss the terms of a transaction. It reconfirmed Borealis' interest to bid at the mid-to-higher end of the \$11 to \$12 per Unit price range they had proposed in their first letter dated June 25, 2007. It also reiterated that the offer was still conditional on the terms and numerous conditions set out in the first letter. The Trust Unit price on the TSX on September 18, 2007 was \$10.25, and depending upon how Borealis defined "the higher end" of their earlier range, this represented a modest premium. Furthermore, this letter did not contain a formal offer or any confirmation of financing.

Teranet sent a letter to Borealis acknowledging receipt of the second letter and, in a telephone conversation with Mr. Rolland after receipt of the letter, informed Borealis that the Trustees and Directors would be meeting in the next couple of weeks to discuss the Fund's options and strategies.

On October 9, 2007, the Trustees and Board of Directors met and the Financial Advisors gave them a presentation that described the developments since the last meeting in August, including the deteriorating debt markets. The Financial Advisors recommended that the Board of Directors defer any action regarding a business sale process. The Financial Advisors advised the Board of Directors that they would continue to monitor debt markets, and the markets in general, and report to the Board of Directors when there was an improvement. The Trustees and the Board of Directors agreed to, and approved, this course of action.

In November of 2007, Borealis contacted Teranet, and Mr. Kaplanis and Mr. Rolland had an informal discussion. As a result of these discussions, Teranet agreed to assist Borealis to better understand the Fund and its business. Informal discussions with representatives of Teranet and Borealis occurred on December 3, 7, and 20, 2007, for this purpose. Following the December 20, 2007 meeting there was no subsequent

communication between Borealis and Teranet, and Teranet heard indirectly that Borealis was no longer interested in acquiring the Fund because they were not able to obtain appropriate financing.

Throughout this period, senior officers of Teranet received several inbound calls from, and had informal meetings with, third parties who felt the Fund had value and wished to consider pursuing a potential transaction. However, none of these discussions resulted in offers or proposals.

The Trustees and Board of Directors continued to consider the Fund's strategic alternatives and whether or not to enter into a formal sale process throughout the first half of 2008 and discussed this matter at board meetings on February 14, 2008, March 11, 2008, April 8, 2008, and May 14, 2008. The Financial Advisors attended a number of these meetings and provided market updates with respect to key strategic issues, including debt markets.

On May 14, 2008, the Board of Directors approved implementing a process that would allow the Financial Advisors to respond to certain parties who had previously expressed an interest in pursuing a transaction with the Fund and a small number of other potentially interested parties. Management of Teranet was directed to assemble an information package that would be distributed to such interested parties, under the condition that such parties first execute confidentiality agreements. Management of Teranet was also directed to work with Teranet's advisors to structure the process. In connection with this process, Teranet entered into new engagement letters with each of the Financial Advisors dated May 23, 2008.

In June 2008, prior to any discussions occurring with any of these third parties, a representative of Borealis called both Mr. Kaplanis and Jon N. Hagan, Chair of the Board of Trustees, and expressed Borealis' interest in pursuing discussions with Teranet. On June 24, 2008, Mr. Kaplanis and Mr. Hagan met with senior management of Borealis, including Mr. Rolland. At this meeting, Borealis noted that they had had discussions with senior governmental representatives of the Province, and had also purchased a number of Trust Units. There was discussion on a number of points and Borealis indicated that any offer they made would not be subject to financing. During this meeting, representatives of Borealis stated, on several different occasions, that the price per Unit would be \$12 and that it would not be subject to change. Representatives of Borealis also indicated that Borealis: (i) would like to go forward with a due diligence process; (ii) would like exclusivity for 30 to 45 days; (iii) was interested in purchasing Teranet rather than the Units; (iv) would allow Teranet to have a "go-shop option" for 30 to 45 days, although Borealis would have the right to match any other superior offers; (v) would offer a break fee of less than 1% of equity value during the go-shop period should another offer be accepted; and (vi) would indemnify the Fund for any potential tax liabilities. Mr. Kaplanis and Mr. Hagan informed Borealis that the Board of Trustees and the Board of Directors would be meeting shortly and they would report these discussions and contact Borealis afterwards.

On July 3, 2008, Mr. Kaplanis and Mr. Hagan provided a summary of the details of the June 24, 2008 meeting with Borealis to the Board of Trustees and the Board of Directors. The Financial Advisors were present at this meeting and provided their initial views. External legal counsel was also in attendance. The Board of Trustees and the Board of Directors both authorized Mr. Kaplanis to engage in further discussions with Borealis premised on the \$12 per Unit price proposed by Borealis at the June 24, 2008 meeting. Specifically, the Board of Directors resolved that Mr. Kaplanis was authorized to negotiate an exclusivity agreement with Borealis in a timely fashion, provided that such terms included, at a minimum: (i) an offer of no less than \$12 per Unit; (ii) a go-shop clause with at least a 30 day window; and (iii) a minimal break fee (*i.e.* one-half of one percent) that would be applicable during the go-shop window; in other words, an agreement that would be consistent with the representations given by Borealis in the June 24, 2008 meeting.

On July 8, 2008, Mr. Kaplanis had a formal meeting with Mr. Rolland. At this meeting, Mr. Kaplanis told Mr. Rolland that he had been authorized to seek a potential offer that was consistent with the details discussed at the June 24, 2008 meeting. Mr. Kaplanis stated that Teranet required confirmation that Borealis had the financing and full support of the board of directors of OMERS, and if those details were provided, Teranet would entertain a shortened due diligence period and a shortened exclusive period. Mr. Kaplanis also said that Teranet would want a modest break fee that was consistent with their discussions on June 24, 2008. Finally, Mr. Kaplanis informed Mr. Rolland that all of the details of the proposed transaction would be subject to the approval of the Province and that current contracts with the Province would have to remain in place, without modification.

On July 8, 2008, Borealis was sent a draft confidentiality agreement, on the expectation that an offer letter would be received by Teranet from Borealis on the terms consistent with the June 24, 2008 and July 8, 2008 meetings.

The Fund did not receive a response from Borealis until July 23, 2008, fully two weeks after the July 8, 2008 meeting. This letter was, once again, an expression of interest from Borealis. Both Mr. Kaplanis and Mr. Hagan were disappointed and surprised that the letter was materially different from the representations made by Borealis on June 24, 2008 and July 8, 2008. The July 23, 2008 letter failed to clearly define the nature or structure of the proposed transaction and, most significantly, did not reflect the price of \$12 per Unit that had been quoted numerous times in the previous meetings. The proposed price in the July 23, 2008 letter was given as a range: \$10.50 to \$12 per Trust Unit and subject to many conditions. In addition to the letter being a non-binding offer, it enclosed a form of exclusivity and confidentiality agreement that:

- proposed a go-shop clause with a two-stage break fee, which was far in excess of what Teranet and Borealis had discussed previously;
- provided that any transaction had to be approved by OMERS' Investment Committee and Borealis' board of directors and there were no assurances that such approval would be given; and
- was binding with respect to an exclusivity period and termination of discussions with other parties, with the effect that Teranet would have had to terminate all discussions with all other parties that had already shown interest in acquiring the Fund and deal exclusively with Borealis if the Fund had signed the agreement.

On July 24, 2008, Teranet sent a letter to Borealis acknowledging receipt of the July 23, 2008 letter from Borealis. Mr. Kaplanis and Mr. Hagan met with representatives of Borealis on July 29, 2008, in order to ascertain why the terms contained in the letter were inconsistent with the representations of Borealis at the previous meetings held on June 24, and July 8, 2008. Mr. Kaplanis and Mr. Hagan expressed Teranet's frustration with the change in terms from what was discussed at the earlier meetings as compared to what was reflected in the Borealis letter, particularly considering the lack of any interim communication from Borealis indicating that such letter would not reflect the previous discussions. Mr. Kaplanis and Mr. Hagan felt that the answers they received to their questions were not satisfactory.

On August 7, 2008, Messrs. Kaplanis and Hagan reported back to the Board of Directors the results from their July 29, 2008 meeting. After considering this report, the Board of Directors authorized Teranet and its Financial Advisors to start a limited process to gauge potential interest from third parties in order to determine whether a sale process would maximize Unitholder value. The Board of Trustees and the Board of Directors also appointed a special committee (the "**Special Committee**") of independent Directors to supervise the limited process. The Special Committee is comprised of Jon N. Hagan (Chair), John L. Ronson, David H. Tsubouchi, Stuart Angus, Ronald M. Meade and D.R. (Rick) Reid.

In connection with the limited process, a representative of CIBC World Markets left a voicemail with Borealis on August 15, 2008. On August 23, 2008, a representative of CIBC World Markets spoke to Mr. Rolland about the new process and Mr. Rolland requested a confidentiality agreement (a "CA"). The form of CA that was sent to all prospective bidders was provided to Borealis.

On August 26, 2008, Teranet and Teranet's external legal counsel were provided with Borealis' comments on the form of CA. The CA was subsequently revised and sent back to CIBC World Markets to forward to Borealis on August 28, 2008. Later that day, Teranet's external counsel spoke with a representative of Borealis regarding the CA and was informed that Borealis was not satisfied with either the standstill provision or the term of the CA. The representative of Borealis indicated that Borealis wanted the ability to make an offer directly to unitholders. Following this discussion, Teranet's counsel agreed to talk to Teranet and get back to Borealis. Later that same day, Mr. Rolland called Mr. Kaplanis to discuss the issues with the CA, and asked Mr. Kaplanis to intervene and agree to Borealis' changes. Mr. Kaplanis informed Mr. Rolland that he would have to discuss the issues with Teranet's legal counsel, and someone would contact Borealis. On August 29, 2008, Teranet's counsel advised Borealis that the issues with the CA were being reviewed and someone would contact Borealis early the next week.

On September 2, 2008, immediately following the Labour Day long weekend, Teranet proposed a shorter standstill provision and a shorter time period for confidentiality. Teranet was advised by its legal counsel and Financial Advisors that standstill provisions are completely customary for public companies, as they prevent all parties subject to such provisions from making an unfriendly bid during an evaluation process. The cover email stated that the revised CA was being provided in an effort to keep the process moving forward; it was hoped that the revised version would be viewed as a reasonable compromise so as to include Borealis in Teranet's process. Borealis later confirmed that its position on such issues had not changed; therefore, Borealis was unable to accept the proposed terms of the CA.

On September 3, 2008, Teranet's counsel called a representative of Borealis who confirmed that Borealis would not sign a CA that had any standstill provision, including one that was very short. To date, each of the parties which has signed a CA with Teranet with respect to its current process has signed a CA with a standstill. Accordingly, Teranet determined that it could not execute a CA without some form of standstill.

There was no further communication from Borealis until the morning of September 4, 2008, when Rick Byers, Executive Vice President of Borealis, telephoned Mr. Kaplanis at 7:45 a.m. Mr. Byers informed Mr. Kaplanis that a press release would be going out within 15 minutes with respect to a hostile bid. During this conversation, Mr. Kaplanis was advised that the offer would be contingent upon Province approval and that Borealis had already spoken with a representative of the Province.

On September 12, 2008, Mr. Kaplanis received a letter from Mr. Byers that enclosed a copy of the Offeror Circular and stated that Borealis remained open to a collaborative approach to this transaction on appropriate terms and would be pleased to discuss this with Mr. Kaplanis at any time.

RESPONSE TO THE OFFER

On September 4, 2008, subsequent to the public announcement that morning by Borealis of its intention to make an offer for the Fund, the Board of Trustees, the Board of Directors and the Special Committee met with management, the Financial Advisors and Cassels Brock & Blackwell LLP ("Cassels") for an initial review of Borealis' announcement, and to consider the circumstances of the Fund in the context of Borealis' intention to make an offer. The Trustees, the Directors and the Special Committee received advice from Cassels with respect to their legal duties and responsibilities in connection with the Offer. The Special Committee was given the mandate to supervise the process being carried out by the Fund and its professional advisors in dealing with the Offer, to make a recommendation to the Board of Trustees and the Board of Directors, to seek out and consider such alternative transactions as the Special Committee deemed advisable to maximize Unitholder value and to ensure such process would be fair and equitable.

On September 5, 2008, the Board of Trustees and the Board of Directors approved the Fund adopting the Unitholder Rights Plan to ensure the fair treatment of the Unitholders in any transaction involving a change of control of the Fund and to provide the Board of Trustees, the Board of Directors, the Special Committee and the Unitholders with adequate time to evaluate any unsolicited take-over bid and, if appropriate, to seek out alternatives to maximize Unitholder value. The Unitholder Rights Plan was implemented effective September 10, 2008. The Offer does not constitute a Permitted Bid under the Unitholder Rights Plan; however, the Board of Trustees has currently delayed the separation of the URP Rights with respect to the Offer. The full text of the Unitholder Rights Plan, which is contained in an agreement dated as of September 10, 2008 between the Fund and CIBC Mellon Trust Company, as rights agent, is publicly available on www.sedar.com.

The Special Committee has had several meetings with the Financial Advisors to assist it in evaluating the Offer and to advise on options and alternatives to the Offer that may be available and that would maximize Unitholder value and be in the best interests of the Fund and its Unitholders. In addition, members of the Special Committee have had independent discussions with management of Teranet and Cassels related to the Offer and made such other independent investigations as they have considered necessary to complete their review and formulate a recommendation regarding the Offer.

In order for the Offer to succeed, the consent or approval of the Province will be required by Borealis pursuant to a number of agreements. Further, pursuant to the terms of the Fund Agreement, the Fund must provide the Province with a Notice of Ownership Change. As the Offer does not disclose details regarding the

Offeror's funding, the identity of the actual person or persons who are acting jointly or in concert with the Offeror, or details with respect to how the Offeror would satisfy the Province Approval Criteria, the Fund has been unable to provide the Province with such notice. The Fund does not believe that the Province has provided Borealis with consent to proceed with the Offer.

At a meeting held on September 25, 2008, the Board of Trustees reviewed the status of the Offer and unanimously decided to recommend to Unitholders to REJECT the Offer and NOT TO TENDER their Trust Units or Class B LP Units. The Board of Trustees was briefed by the Special Committee about discussions with interested parties regarding alternative transactions and the prospects of a superior proposal or other value maximizing transaction. The Board of Trustees also considered the recommendation of the Special Committee that Unitholders reject the Offer, the views of management and the other reasons described above under "Reasons for Rejection", and unanimously resolved to recommend to Unitholders that they REJECT the Offer.

OWNERSHIP OF SECURITIES OF THE FUND

As of September 24, 2008, there were 150,410,862 issued and outstanding Trust Units (154,136,100 on a Fully-Diluted Basis). The following table sets out the names of each of the Trustees, Directors and officers of Teranet and the number of outstanding Trust Units (there not being any Class B LP Units) beneficially owned as at September 24, 2008, directly or indirectly, or over which control or direction may be exercised by each such person and, where known after reasonable enquiry, by each associate or affiliate of the Trustees, Directors and officers of Teranet, each associate or affiliate of the Fund, any insider of the Fund, and any person or company acting jointly or in concert with the Fund.

<u>Name and Position</u>	<u>Number of Trust Units⁽¹⁾</u>	<u>Percentage of outstanding Units held⁽²⁾</u>
Trustees of the Fund		
Jon N. Hagan Trustee of the Fund and Director of Teranet	10,000	0.006%
David H. Tsubouchi Trustee of the Fund and Director of Teranet	0	0%
John L. Ronson Trustee of the Fund and Director of Teranet	2,000	0.001%
Directors and Officers of Teranet		
Stuart Angus Director of Teranet	16,900	0.011%
Ronald M. Meade Director of Teranet	2,984,340 ⁽³⁾	1.936%
D.R. (Rick) Reid Director of Teranet	2,000	0.001%
Aristides M. S. Kaplanis Director, President and Chief Executive Officer of Teranet	749,744	0.486%
Brian S. Kyle Vice President Finance and Chief Financial Officer of Teranet	191,079	0.124%
Victor W. Ford Senior Vice President Sales and Marketing of Teranet	134,734	0.087%

<u>Name and Position</u>	<u>Number of Trust Units⁽¹⁾</u>	<u>Percentage of outstanding Units held⁽²⁾</u>
Michael A. Sliwinski Senior Vice President Information Services of Teranet	127,814	0.083%
Elgin C. Farewell Senior Vice President H.R. and Production of Teranet	46,471	0.030%
Pamela D. Fruitman Secretary of Teranet	65,003 ⁽⁴⁾	0.042%
TOTAL	<u>4,330,085</u>	<u>2.809%</u>

(1) The number of Trust Units beneficially owned or over which control or direction is exercised has been provided by each person listed.

(2) Calculated on a Fully-Diluted Basis.

(3) Includes 2,443,174 Trust Units held by Altacap Investors Inc., an associate of Mr. Meade in which he holds a non-controlling interest.

(4) Includes 15,000 Trust Units held by associates of Ms Fruitman.

To the knowledge of the Trustees, the Directors and the officers of Teranet, only Hospitals of Ontario Pension Plan (“HOOPP”) owns directly or indirectly more than 10% of the outstanding Trust Units. In a report filed on SEDAR dated August 3, 2006, HOOPP disclosed that it controlled 15,498,116 Trust Units, representing approximately 11.0585% of the outstanding Trust Units (9.9998% on a Fully-Diluted Basis) on such date. As a result of the Fund purchasing Trust Units under a normal course issuer bid, as of the date hereof, the Trust Units that HOOPP controls represent approximately 10.30% of the outstanding Trust Units (10.05% on a Fully-Diluted Basis). In a press release dated September 8, 2008, HOOPP announced that it was currently investigating its options in respect of its holdings in the Fund, which options may include negotiating with the Fund to make an offer to acquire the outstanding Units and that consequently it was ceasing to file reports under Part 4 of National Instrument 62-103 — *The Early Warning System and Related Take-Over Bid and Insider Reporting Issues*.

INTENTIONS WITH RESPECT TO THE OFFER

Each of the Trustees, the Directors and the officers of Teranet has indicated that he or she has not tendered and does not currently intend to tender any of his or her Units to the Offer. To the knowledge of the Trustees, the Directors and the officers of Teranet, after making reasonable enquiries, no associate or affiliate of a Trustee, a Director or an officer of Teranet, no associate or affiliate of the Fund, no insider of the Fund, other than a Trustee, a Director or an officer of Teranet, and no person or company acting jointly or in concert with the Fund, has indicated that they have tendered or currently intend to tender any of their Units to the Offer.

TRADING IN SECURITIES OF THE FUND

During the six months preceding the date hereof, none of the Fund, the Trustees, the Directors or the officers of Teranet or other insiders of the Fund nor, to the knowledge of the Trustees, the Directors and the officers of Teranet, after reasonable enquiry, any of their respective associates, or any person or company acting jointly or in concert with the Fund, has traded any Trust Units, except as follows:

<u>Name and Position</u>	<u>Nature of Trade</u>	<u>Date of Trade</u>	<u>Number of Trust Units</u>	<u>Price Per Trust Unit</u>
Aristides M. S. Kaplanis Director, President and Chief Executive Officer of Teranet	Acquisition ⁽¹⁾	March 25, 2008	+71,919	\$ 9.5960
Brian S. Kyle Vice President Finance and Chief Financial Officer of Teranet	Acquisition ⁽¹⁾	March 25, 2008	+21,025	\$ 9.5960
Victor W. Ford Senior Vice President Sales and Marketing of Teranet	Acquisition ⁽¹⁾	March 25, 2008	+14,556	\$ 9.5960
Michael A. Sliwinski Senior Vice President Information Services of Teranet	Acquisition ⁽¹⁾	March 25, 2008	+10,513	\$ 9.5960
Elgin C. Farewell Senior Vice President H.R. and Production of Teranet	Acquisition ⁽¹⁾	March 25, 2008	+10,513	\$ 9.5960
Pamela D. Fruitman Secretary of Teranet	Acquisition ⁽¹⁾	March 25, 2008	+6,469	\$ 9.5960
Teranet Income Fund Issuer	Acquisition for Cancellation ⁽²⁾	April 30, 2008	+8,500	\$ 9.4900
Teranet Income Fund Issuer	Acquisition for Cancellation ⁽²⁾	May 1, 2008	+18,300	\$ 9.4200
Teranet Income Fund Issuer	Acquisition for Cancellation ⁽²⁾	May 13, 2008	+19,400	\$ 9.4200
Teranet Income Fund Issuer	Acquisition for Cancellation ⁽²⁾	June 4, 2008	+25,000	\$ 9.4600
Teranet Income Fund Issuer	Acquisition for Cancellation ⁽²⁾	June 10, 2008	+10,800	\$ 9.2100
Teranet Income Fund Issuer	Acquisition for Cancellation ⁽²⁾	June 11, 2008	+54,200	\$ 9.1700
Teranet Income Fund Issuer	Acquisition for Cancellation ⁽²⁾	June 12, 2008	+76,600	\$ 9.2700
Teranet Income Fund Issuer	Acquisition for Cancellation ⁽²⁾	June 13, 2008	+19,700	\$ 9.3400
Teranet Income Fund Issuer	Acquisition for Cancellation ⁽²⁾	June 17, 2008	+27,600	\$ 9.1400
Teranet Income Fund Issuer	Acquisition for Cancellation ⁽²⁾	June 18, 2008	+30,000	\$ 9.0900
Teranet Income Fund Issuer	Acquisition for Cancellation ⁽²⁾	June 20, 2008	+5,300	\$ 9.0200
Teranet Income Fund Issuer	Acquisition for Cancellation ⁽²⁾	June 27, 2008	+88,600	\$ 8.7300
Altacap Investors Inc. Associate of Ronald M. Meade, Director of Teranet	Disposition	September 23, 2008	-80,000	\$10.9900

(1) Purchases made by an independent third party on behalf of Teranet in connection with the LTIP.

(2) Purchases made pursuant to a normal course issuer bid.

ISSUANCES OF SECURITIES OF THE FUND

No Trust Units or other securities of the Fund have been issued to the Trustees, the Directors or the officers of Teranet or other insiders of the Fund during the two year period preceding the date of this Circular.

OWNERSHIP OF SECURITIES OF THE OFFEROR

None of the Fund, the Trustees, the Directors or the officers of Teranet, and to the knowledge of the Trustees, the Directors and officers of Teranet, after reasonable enquiry, none of their respective associates or affiliates or any insiders of the Fund (other than a Trustee, a Director or an officer of Teranet), or any person or company acting jointly or in concert with the Fund, owns, or exercises control or direction over securities of the Offeror.

TRADING PRICES OF THE TRUST UNITS

On September 3, 2008, the day prior to the public announcement by the Offeror of its intention to make the Offer, the closing price of the Trust Units on the TSX was \$9.36. On September 11, 2008, the last trading day prior to the mailing of the Offer, the closing price of the Trust Units on the TSX was \$11.44. On September 24, 2008, the last trading day prior to the date of this Circular, the closing price of the Trust Units on the TSX was \$11.04.

ARRANGEMENTS BETWEEN THE FUND AND ITS TRUSTEES AND OFFICERS

Executive Employment Arrangements

Each of (i) Aristides M. S. Kaplanis; (ii) Brian S. Kyle; (iii) Victor W. Ford; (iv) Michael A. Sliwinski; and (v) Elgin C. Farewell (collectively, the “**Officers**”) is currently employed by Teranet and has an agreement (an “**Executive Employment Agreement**”) with Teranet in respect of his employment. Each Executive Employment Agreement provides for certain benefits in the event of a change of control or termination without cause (including resignation in certain circumstances).

Mr. Kaplanis’ agreement provides that if there is a change of control, or in other specific circumstances, he shall have the option to terminate his Executive Employment Agreement at his discretion after the change of control, upon 60 days’ prior written notice and receive a payment equal to his base salary for one year, his incentive bonus for one year, and that part of the incentive bonus accrued and pro rated to the date of termination. Mr. Kaplanis’ Executive Employment Agreement also provides that his employment may be terminated at any time without cause upon 60 days’ written notice and Mr. Kaplanis shall receive a payment equal to two times his base salary for that year, two times his incentive bonus for that year, and that part of the incentive bonus accrued and pro rated to the date of termination, minus compensation for the 60 days’ notice given. The agreement further provides that Mr. Kaplanis is entitled to receive benefits for two years following the date of his termination.

Mr. Kyle’s agreement provides that if there is a change of control he may, within 90 days of such event, voluntarily terminate his employment with Teranet and receive a payment equal to his base salary for a period of 21 months. Mr. Kyle shall also be entitled to this payment if, under certain circumstances, he voluntarily terminates his employment within 180 days of the change of control. Under his Executive Employment Agreement, Mr. Kyle is also entitled to receive benefits for the 21 month period of severance.

The Executive Employment Agreements with each of Messrs. Ford, Sliwinski and Farewell provide that if there is a change of control the Officer may, within 90 days of such event, voluntarily terminate his employment with Teranet and receive a payment equal to his base salary for a period of 18 months. Each Officer shall also be entitled to this payment if, under certain circumstances, he voluntarily terminates his employment within 180 days of the change of control. Under each Executive Employment Agreement, the Officer is also entitled to receive benefits for the 18 month period of severance.

Executive and Employee Incentive Programs

Teranet established the long term incentive plan (the “LTIP”) and the short term cash bonus (the “STCB”) for officers and key employees of Teranet. The purpose of these plans is to provide eligible participants with compensation opportunities that will enhance Teranet’s ability to attract, retain, motivate and reward significant performance that results in the Fund exceeding its per Unit cash targets and for attaining corporate and individual objectives. Following review of the LTIP and the STCB, and an evaluation of common market practices, Teranet’s Human Resources and Compensation Committee determined, and the Special Committee approved, the following in the event of a change of control due to a sale of Teranet to a third party: (i) the LTIP will be terminated and all unvested amounts will be deemed to have fully vested immediately prior to the sale and paid out to LTIP participants in cash; (ii) the current year LTIP awards will be calculated on a pro rated basis using year to date results and such awards will be considered to vest immediately and be paid out in cash; and (iii) the current year STCB awards will be at a target of 20% plus ½ of the 20% accelerator that can be awarded for outstanding results to total 30% of base salary, will be calculated on a pro rated basis and paid out in cash upon the sale of Teranet.

Transaction Success and Retention Programs

Prior to the announcement of the Offer, the Human Resources and Compensation Committee was engaged in a process to evaluate various matters relevant to its personnel retention programs in the context of a potential change of control to ensure that its ability to achieve the best outcome for Unitholders would not be damaged by the loss of Officers and key personnel during the period of uncertainty caused by a sale process. Following the announcement of the Offer, this evaluation was accelerated and the recommendations of the Human Resources and Compensation Committee were reviewed by the Board of Directors and the Special Committee. The Directors recognized the importance of retaining the current Officers and other key personnel without distraction to assist in the response to the Offer and in the consideration of potential alternatives. The Special Committee determined that, in light of the hostile nature of the Offer and the associated extreme uncertainty caused by the Offer, it was in the best interests of the Fund and Teranet to put in place certain initiatives designed to ensure that the commitment and job performance of the Officers and key personnel does not suffer as a result of the distractions created by the Offer. On September 12, 2008, the Special Committee approved the adoption of a transaction success program for the Officers and a special performance and retention bonus program for key personnel that each provide for certain payments once a sale transaction has closed. Officers and eligible personnel shall receive a multiple, in the range of ½ to 2½ times their base salary, in one or two instalments. The first instalment is to be paid upon the closing of a transaction and the second instalment is to be paid three to six months after the closing of the transaction. In certain cases, a single payment will be made one year after the closing of the transaction. Each program has specific performance criteria attached to it, in addition to the retention component.

Teranet believes that its transaction success and special performance and retention bonus programs are consistent with industry practice. Furthermore, the Special Committee has determined that, in the aggregate, the incremental costs of the transaction success and special performance and retention bonus programs would not be a material cost to Borealis or a deterrent to the Fund being able to pursue and potentially realize upon other strategic alternatives.

ARRANGEMENTS AND AGREEMENTS OF TRUSTEES AND DIRECTORS AND OFFICERS WITH THE OFFEROR

There are no agreements, commitments or understandings made or, to the knowledge of the Trustees, the Directors or the officers of Teranet, proposed to be made between the Offeror and any of the Trustees, the Directors or the officers of Teranet including any agreement, commitment or understanding pursuant to which a payment or other benefit is proposed to be made or given by way of compensation for loss of office or as to any such person remaining in or retiring from office if the Offer is successful. No Trustee, Director or officer of Teranet is a director or officer of the Offeror or of any affiliate or subsidiary of the Offeror.

INTERESTS OF TRUSTEES, DIRECTORS AND OFFICERS IN MATERIAL TRANSACTIONS WITH OFFEROR

No Trustee, Director or officer of Teranet or any associate thereof, and to the knowledge of the Trustees, the Directors and the officers of Teranet, after reasonable enquiry, no person or company who owns more than 10% of any class of equity securities of the Fund for the time being outstanding has any interest in any material transaction to which the Offeror is a party.

OTHER TRANSACTIONS

Except as disclosed herein, the Fund is not aware of any negotiations currently being undertaken by the Fund that relate to or would result in: (a) an extraordinary transaction such as a merger or reorganization involving the Fund or any of its subsidiaries; (b) the purchase, sale or transfer of a material portion of assets by the Fund or any of its subsidiaries; (c) a competing take-over bid; (d) an issuer bid (other than the normal course issuer bid implemented by the Fund) for or other acquisition of securities of the Fund; or (e) any material change in the present capitalization or distribution policy of the Fund.

Notwithstanding the foregoing, the Board of Trustees, the Board of Directors and the Special Committee may engage in negotiations in response to the Offer that could have one or more of the effects specified in the preceding paragraph. The Board of Trustees has determined that disclosure with respect to the parties to, and the possible terms of, any transactions or proposals of the type referred to in the preceding paragraph might jeopardize any discussions or negotiations that the Fund may conduct. Accordingly, the Fund does not intend to disclose the possible terms of any such transaction or proposal until an agreement relating thereto has been reached or as otherwise may be required by law.

MATERIAL CHANGES AND OTHER INFORMATION CONCERNING THE FUND

Except as publicly disclosed or otherwise described in this Circular, none of the Trustees, Directors or officers of Teranet is aware of any information that indicates any material change in the affairs or prospects of the Fund since the date of its last published financial statements, being its interim unaudited financial statements for the three and six months ended June 30, 2008 and management's discussion and analysis for the quarter ended June 30, 2008, each of which is available on *www.sedar.com*.

OPINIONS OF THE FINANCIAL ADVISORS

On September 25, 2008, each of the Financial Advisors provided their Opinion to the Special Committee, the Board of Trustees and the Board of Directors to the effect that, as of that date and subject to the assumptions, limitations and qualifications contained therein, the consideration under the Offer was inadequate, from a financial point of view, to the Unitholders other than the Offeror, Borealis and OMERS.

The full text of each of the Opinions, setting out the assumptions made, matters considered and limitations and qualifications on the review undertaken in connection with each Opinion, is attached as Appendix "B" to this Circular. The Opinions are not recommendations as to whether or not Unitholders should accept or reject the Offer. The Opinions are one of a number of factors taken into consideration by the Special Committee, the Board of Trustees and the Board of Directors in making their unanimous determination that the Offer is inadequate to Unitholders and is not in the best interests of the Fund and its Unitholders and recommending that Unitholders reject the Offer.

Pursuant to the terms of their engagement letters with the Fund, each of the Financial Advisors is to be paid a fee for its services as financial advisor.

Unitholders are urged to read each of the Opinions in its entirety. See Appendix "B" to this Circular.

OTHER INFORMATION

Except as disclosed in this Circular, there is no information or matter that is known to the Trustees that would reasonably be expected to affect the decision of Unitholders to accept or reject the Offer.

STATUTORY RIGHTS

Securities legislation in the provinces and territories of Canada provides securityholders of the Fund with, in addition to any other rights they may have at law, one or more rights of rescission, price revision or to damages, or both, if there is a misrepresentation in a circular or notice that is required to be delivered to those securityholders. However, such rights must be exercised within prescribed time limits. Securityholders should refer to the applicable provisions of the securities legislation of their province or territory for particulars of those rights or consult with a lawyer.

APPROVAL OF THE TRUSTEES' CIRCULAR

The contents of this Circular have been approved and the delivery thereof has been authorized by the Board of Trustees.

CONSENT OF RBC DOMINION SECURITIES INC.

Dated: September 25, 2008

To the Trustees of Teranet Income Fund (the "Fund")

We hereby consent to the references in the Trustees' Circular of the Fund dated September 25, 2008 (the "Circular") to our firm name and to our opinion dated September 25, 2008, and to the inclusion of the text of our opinion attached as Appendix "B" to the Circular. In providing our consent, we do not intend that any person other than the trustees of the Fund, the directors of Teranet Inc. ("Teranet") and the special committee of Teranet shall rely upon our opinion.

(Signed) RBC DOMINION SECURITIES INC.

CONSENT OF CIBC WORLD MARKETS INC.

Dated: September 25, 2008

To the Trustees of Teranet Income Fund (the "Fund")

We hereby consent to the references in the Trustees' Circular of the Fund dated September 25, 2008 (the "Circular") to our firm name and to our opinion dated September 25, 2008, and to the inclusion of the text of our opinion attached as Appendix "B" to the Circular. In providing our consent, we do not intend that any person other than the trustees of the Fund, the directors of Teranet Inc. ("Teranet") and the special committee of Teranet shall rely upon our opinion.

(Signed) CIBC WORLD MARKETS INC.

CERTIFICATE

Dated: September 25, 2008

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

On behalf of the Board of Trustees of Teranet Income Fund

(Signed) JON N. HAGAN
Trustee

(Signed) JOHN L. RONSON
Trustee

APPENDIX “A”

GLOSSARY

In this Circular, unless the subject matter or context is inconsistent therewith, the following terms have the meanings set out below.

“**affiliate**” means, with respect to any person, any other person who directly or indirectly controls, is controlled by, or is under direct or indirect common control with, such person, and includes any person in like relation to an affiliate;

“**control**” as used with respect to any person, means the possession, directly or indirectly, of the power, in fact, to appoint directors, management committee or similar managing body of such person, through the ownership of voting securities;

“**associate**” has the meaning given to that term in the *Securities Act* (Ontario);

“**Board of Directors**” means the board of directors of Teranet and “**Director**” means a director of Teranet;

“**Board of Trustees**” means the board of trustees of the Fund and “**Trustee**” means a trustee of the Fund;

“**Borealis**” means Borealis Infrastructure Management Inc., the investment entity of OMERS, and the manager of the Offeror;

“**Business Day**” means any day, other than a Saturday or Sunday on which Schedule I Canadian chartered banks are open for business in Toronto, Ontario;

“**CIBC World Markets**” means CIBC World Markets Inc., one of the Financial Advisors;

“**Circular**” means this Trustees’ Circular;

“**Class B LP Units**” means the Class B limited partnership units of Teranet Holdings Limited Partnership, together, unless the context otherwise requires, with the Special Voting Units and URP Rights associated therewith;

“**Compulsory Acquisition**” means a sale of Trust Units by a Non-Tendering Offeree directly to the Offeror in accordance with the compulsory sale provisions of Section 13.7 of the Declaration of Trust, as the same may be amended by the Special Resolutions, and a sale of Class B LP Units by a Non-Tendering Offeree directly to the Offeror in accordance with the compulsory sale provisions of Section 3.23 of the LP Agreement, as the same may be amended from time to time;

“**Declaration of Trust**” means the amended and restated declaration of trust in respect of the Fund dated as of June 6, 2006;

“**Expiry Date**” means October 17, 2008, or such later date or dates as may be fixed by the Offeror from time to time as provided under “Extension, Variation or Change in the Offer” in Section 5 of the Offer in the Offeror Circular, unless the Offer is withdrawn by the Offeror;

“**Expiry Time**” means 5:00 p.m. (Toronto time) on the Expiry Date, or such later time or times as may be fixed by the Offeror from time to time as provided under “Extension, Variation or Change in the Offer” in Section 5 of the Offer in the Offeror Circular, unless the Offer is withdrawn by the Offeror;

“**Financial Advisors**” means RBCDS and CIBC World Markets, the financial advisors to the Board of Trustees, the Board of Directors and the Special Committee;

“**Fully-Diluted Basis**” means, with respect to the number of outstanding Trust Units at any time, such number of outstanding Trust Units calculated assuming that all outstanding Class B LP Units are exchanged by the holders of such units in exchange for Trust Units on a one-for-one basis;

“**Fund**” means Teranet Income Fund, an open-ended limited purpose trust created by the Declaration of Trust and governed by the laws of the Province of Ontario;

“**Fund Agreement**” means the agreement between the Province and the Fund dated June 16, 2006;

“**GAAP**” means generally accepted accounting principles in Canada consistently applied;

“**Governmental Entity**” means any (a) multinational, federal, provincial, territorial, regional, state, municipal, local or other governmental or public department, central bank, court, commission, commissioner (including the Competition Commissioner), tribunal, board, bureau, agency, ministry or instrumentality, domestic or foreign, (b) any subdivision or authority of any of the foregoing, or (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the above;

“**Law**” includes applicable federal, provincial, state, regional, municipal or local laws (including common law), statutes, by-laws, published rules, regulations, published directives, instructions, orders, ordinances, protocols, codes, guidelines, treaties, policies, notices, directions, decrees, instruments, approvals, licences, permits, judgments, awards or requirements, in each case of any Governmental Entity;

“**Letter of Acceptance and Transmittal**” means the Letter of Acceptance and Transmittal in applicable form that accompanied the Offeror Circular;

“**LP Agreement**” means the Partnership’s limited partnership agreement dated June 6, 2006;

“**LTIP**” means the long-term incentive plan established by Teranet for officers and key employees of Teranet;

“**Non-Tendering Offeree**” means a holder of Units who did not tender to the Offer;

“**Notice of Ownership Change**” means the written notice provided by the Fund to the Province pursuant to Section 2.7 of the Fund Agreement that provides the Province with full particulars of any proposed transaction that would violate the restriction in the Declaration of Trust that any person or persons acting jointly or in concert with each other not acquire more than 25% of the Units without the prior written approval of the Province;

“**Offer**” means the offer to purchase all of the outstanding Units made to Unitholders subject to the terms set forth in the Offeror Circular, as the same may be amended from time to time;

“**Offeror**” means Borealis Acquisition Corporation, a special purpose investment entity managed by Borealis Infrastructure Management Inc., the investment entity of OMERS, and established under the laws of Canada;

“**Offeror Circular**” means the take-over bid circular accompanying the Offer and forming a part thereof;

“**OMERS**” means OMERS Administration Corporation, a corporation without share capital continued under the *Ontario Municipal Employees Retirement System Act, 2006* (Ontario) to act as administrator of the pension plans that comprise the Ontario Municipal Employees Retirement System and as trustee of such pension funds;

“**Opinions**” means collectively, the opinion to the Special Committee and the Board of Trustees of each of the Financial Advisors to the effect that, as of that date and subject to the assumptions, limitations, and qualifications set out therein, the consideration offered to Unitholders pursuant to the Offer is inadequate, from a financial point of view, to Unitholders other than the Offeror, Borealis and OMERS;

“**Partnership**” means Teranet Holdings Limited Partnership, a limited partnership established under the laws of the Province of Ontario;

“**person**” includes any individual, firm, partnership, limited partnership, joint venture, venture capital fund, limited liability company, unlimited liability company, association, trust, trustee, heir, executor, administrator, legal personal representative, estate, group, body corporate, corporation, unincorporated association or organization, Governmental Entity, syndicate or other entity, whether or not having legal status;

“**Province**” means the Her Majesty the Queen Right of Ontario;

“**Province Approval Criteria**” means the criteria that the Province will have regard to in determining whether or not to grant approval to a prospective purchaser’s offer to acquire more than 25% of the Units, specifically, the reputation, technical expertise and financial capability of such prospective purchaser and the capacity of such prospective purchaser to ensure continued reliable, high quality service by Teranet for the services for which it is responsible under its exclusive license agreements;

“**RBCDS**” means RBC Dominion Securities Inc., one of the Financial Advisors;

“**Special Committee**” means the Special Committee established by the Board of Trustees and the Board of Directors;

“**Special Resolutions**” has the meaning ascribed thereto under “Acquisition of Units Not Deposited Under the Offer” in Section 16 of the Offeror Circular;

“**Special Voting Units**” means the units of the Fund issued to holders of Class B LP Units that represent voting rights in the Fund;

“**Teranet**” means Teranet Inc., a corporation existing under the laws of the Province of Ontario;

“**Trust Units**” means the trust units in the capital of the Fund, together, unless the context otherwise requires, with the URP Rights associated therewith, and includes any securities into or for which such units or any of them may be reclassified, sub-divided, consolidated, converted or exchanged and any rights and benefits arising therefrom, including any extraordinary distributions of securities which may be declared in respect of such units and any units issued after the date hereof;

“**TSX**” means the Toronto Stock Exchange;

“**Unitholder Rights Plan**” means the unitholder rights plan of the Fund dated September 10, 2008;

“**Unitholders**” means the holders of Units, and “**Unitholder**” means any one of them;

“**Units**” means collectively, Trust Units and Class B LP Units; and

“**URP Rights**” means the rights issued and outstanding from time to time under the Unitholder Rights Plan.

APPENDIX “B”
FINANCIAL ADVISORS’ OPINIONS



RBC Dominion Securities Inc.
P.O. Box 50
Royal Bank Plaza
Toronto, Ontario M5J 2W7
Telephone: (416) 842-2000

September 25, 2008

The Board of Trustees of Teranet Income Fund
The Board of Directors of Teranet Inc.
The Special Committee of the Board of Directors of Teranet Inc.
1 Adelaide St. East, Suite 600
Toronto, Ontario
M5C 2V9

To the Board of Trustees, the Board of Directors and the Special Committee:

RBC Dominion Securities Inc. (“RBC”), a member company of RBC Capital Markets, understands that Borealis Infrastructure Management Inc. (“Borealis”), though a special purpose entity managed by Borealis, has made an offer (the “Offer”) to acquire all of the trust units of Teranet Income Fund (the “Fund”) together with the rights (the “URP Rights”) associated therewith under the unitholder rights plan of the Fund (collectively, the “Trust Units”) and all of the Class B limited partnership units of Teranet Holdings Limited Partnership (the “Partnership”) together with special voting units of the Fund and URP Rights associated therewith (collectively, the “Class B LP Units”, and together with the Trust Units, the “Units”) for \$11.00 in cash per Unit. The terms of the Offer are more fully described in a take-over bid circular dated September 12, 2008 (the “Circular”), which has been mailed to holders of Units (the “Unitholders”) in connection with the Offer.

RBC also understands that a committee (the “Special Committee”) of independent directors of Teranet Inc. (the “Company”), an indirect wholly owned subsidiary of the Fund, has been constituted to consider the Offer and make recommendations thereon to the board of directors of the Company (the “Board of Directors”) and to the board of trustees of the Fund (the “Board of Trustees”). The Company has retained RBC to provide advice and assistance to the Company in evaluating the Offer, including the preparation and delivery to the Special Committee of RBC’s opinion as to the fairness of the consideration under the Offer from a financial point of view to the Unitholders other than Borealis and its affiliates (the “Opinion”). RBC has not prepared a valuation of the Fund or any of its securities or assets and the Opinion should not be construed as such.

Engagement

The Company initially contacted RBC regarding a potential advisory assignment in early 2007 and RBC was engaged by the Company to assist in the review of strategic alternatives in March 2007. RBC was formally engaged to advise the Company in connection with a potential transaction involving the direct or indirect sale or disposition of the Company or the Fund through an agreement between the Company and RBC (the “Engagement Agreement”) dated May 23, 2008. The terms of the Engagement Agreement provide that RBC is to be paid a fee for its services as financial advisor, including fees that are contingent on a change of control of the Fund or the Company or certain other

events. In addition, RBC is to be reimbursed for its reasonable out-of-pocket expenses and is to be indemnified by the Company in certain circumstances. RBC consents to the inclusion of the Opinion in its entirety and a summary thereof in the trustees' circular to be mailed to Unitholders (the "Trustees' Circular") and to the filing thereof, as necessary, by the Fund with the securities commissions or similar regulatory authorities in each province of Canada.

RBC acts as a trader and dealer, both as principal and agent, in major financial markets and, as such, may have had and may in the future have positions in the securities of the Fund, the Company or any of their associates or affiliates and, from time to time, may have executed or may execute transactions on behalf of such companies or clients for which it received or may receive compensation. As an investment dealer, RBC conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including with respect to the Fund, the Company or the Offer.

Credentials of RBC Capital Markets

RBC is one of Canada's largest investment banking firms, with operations in all facets of corporate and government finance, corporate banking, mergers and acquisitions, equity and fixed income sales and trading and investment research. RBC Capital Markets also has significant operations in the United States and internationally. The Opinion expressed herein represents the opinion of RBC and the form and content herein have been approved for release by a committee of its directors, each of whom is experienced in merger, acquisition, divestiture and fairness opinion matters.

Scope of Review

In connection with our Opinion, we have reviewed and relied upon or carried out, among other things, the following:

1. the Circular;
2. the most recent draft dated September 24, 2008 (the "Draft Trustees' Circular") of the Trustees' Circular;
3. audited financial statements of the Fund for the year ended December 31, 2007 and the period from June 16, 2006 to December 31, 2006; unaudited proforma combined operating results for the year ended December 31, 2006, reflecting results for the Company from January 1, 2006 to June 15, 2006 and for the Fund from June 16, 2006 to December 31, 2006; and audited financial statements of the Company for the three years ended March 31, 2006;
4. the unaudited interim reports of the Fund for the quarters ended March 31, 2008 and June 30, 2008;
5. annual reports of the Fund for the year ended December 31, 2007 and the period from June 16, 2006 to December 31, 2006;
6. the Notices of Annual Meeting of Unitholders and Management Information Circulars of the Fund for each of the two years ended December 31, 2007;
7. the annual information form of the Fund for the year ended December 31, 2007 and the initial annual information form of the Fund;
8. historical segmented financial information of the Fund by business activity for the six months ended June 30, 2008, the year ended December 31, 2007 and the period from June 16, 2006 to December 31, 2006; historical segmented financial information by business activity for the year ended December 31, 2006, reflecting results for the Company from January 1, 2006 to June 15, 2006 and for the Fund from June 16, 2006

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to December 31, 2006; and historical segmented financial information by business activity for the Company for the twelve months ended December 31, 2005 and the three years ended March 31, 2005;

9. the internal management budget of the Fund on a consolidated basis and segmented by business activity for the year ending December 31, 2008;
10. unaudited projected financial statements for the Fund on a consolidated basis and segmented by business activity prepared by management of the Company for the years ending December 31, 2008 through December 31, 2018;
11. discussions with senior management of the Company;
12. discussions with the Fund's legal counsel;
13. public information relating to the business, operations, financial performance and stock trading history of the Fund and other selected public companies considered by us to be relevant;
14. public information with respect to other transactions of a comparable nature considered by us to be relevant;
15. public information regarding the real estate, information services and business process outsourcing industries;
16. representations contained in a certificate addressed to us, dated as of the date hereof, from senior officers of the Company as to the completeness and accuracy of the information upon which the Opinion is based; and
17. such other corporate, industry and financial market information, investigations and analyses as RBC considered necessary or appropriate in the circumstances.

RBC has not, to the best of its knowledge, been denied access by the Company to any information requested by RBC. As the auditors of the Fund declined to meet with RBC, RBC has assumed the accuracy and fair presentation of and relied upon the consolidated financial statements of the Fund and the reports of the auditors thereon.

Assumptions and Limitations

With the approval of the Board of Directors and the Board of Trustees and as provided for in the Engagement Agreement, RBC has relied upon the completeness, accuracy and fair presentation of all of the financial and other information, data, advice, opinions or representations obtained by it from public sources, senior management of the Company, and their consultants and advisors (collectively, the "Information"). The Opinion is conditional upon such completeness, accuracy and fair presentation of such Information. Subject to the exercise of professional judgment and except as expressly described herein, we have not attempted to verify independently the completeness, accuracy or fair presentation of any of the Information.

Senior officers of the Company have represented to RBC in a certificate delivered as of the date hereof, among other things, that (i) the Information (as defined above) provided orally by, or in the presence of, either the President and Chief Executive Officer of the Company or the Vice President, Finance and Chief Financial Officer of the Company, in each case on or after March 9, 2007, or in writing by the Company or any of its subsidiaries or their respective agents to RBC for the purpose of preparing the Opinion was, at the date the Information was provided to RBC, and is complete, true and correct in all material respects, and did not and does not contain any untrue statement of a material fact in respect of the Company, the Fund, their respective affiliates or the Offer and did not and does not omit to state a material fact in respect of the Company, the Fund, their respective affiliates or the Offer necessary to make the Information or any statement contained therein not misleading in light of the circumstances under which the Information was made or

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provided or any statement was made; and that (ii) since the dates on which the Information was provided to RBC, except as disclosed in writing to RBC, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or, to the best of our knowledge, the prospects of the Company, the Fund, or any of their respective affiliates and no material change has occurred in the Information or any part thereof which would have or which would reasonably be expected to have a material effect on the Opinion.

In preparing the Opinion, RBC has made several assumptions, including that all of the conditions required to implement the Offer will be met and that the disclosure provided or incorporated by reference in the Circular and the Draft Trustees' Circular with respect to the Fund, its subsidiaries and affiliates and the Offer is accurate in all material respects.

The Opinion is rendered on the basis of securities markets, economic, financial and general business conditions prevailing as at the date hereof and the condition and prospects, financial and otherwise, of the Fund and its subsidiaries and affiliates, as they were reflected in the Information and as they have been represented to RBC in discussions with management of the Company. In its analyses and in preparing the Opinion, RBC made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of RBC or any party involved in the Offer.

The Opinion has been provided for the use of the Special Committee, the Board of Directors and the Board of Trustees and may not be used by any other person or relied upon by any other person other than the Special Committee, the Board of Directors and the Board of Trustees without the express prior written consent of RBC. The Opinion is given as of the date hereof and RBC disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Opinion which may come or be brought to RBC's attention after the date hereof. Without limiting the foregoing, in the event that there is any material change in any fact or matter affecting the Opinion after the date hereof, RBC reserves the right to change, modify or withdraw the Opinion.

RBC believes that its analyses must be considered as a whole and that selecting portions of the analyses or the factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the Opinion. The preparation of an opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis. The Opinion is not to be construed as a recommendation to any Unitholder as to whether to tender their Units to the Offer.

Conclusion

Based upon and subject to the foregoing, RBC is of the opinion that, as of the date hereof, the consideration under the Offer is inadequate from a financial point of view to the Unitholders other than Borealis and its affiliates.

Yours very truly,

RBC Dominion Securities Inc.

RBC DOMINION SECURITIES INC.

RBC CAPITAL MARKETS

September 25, 2008

The Board of Trustees of Teranet Income Fund
The Board of Directors of Teranet Inc.
The Special Committee of the Board of Directors of Teranet Inc.
1 Adelaide Street East
Suite 600
Toronto, Ontario
M5C 2V9

To the Board of Trustees, the Board of Directors and the Special Committee:

CIBC World Markets Inc. ("CIBC World Markets", "we" or "us") understands that Borealis Acquisition Corporation, a special purpose investment entity managed by Borealis Infrastructure Management Inc. (collectively, "Borealis"), has made an offer (the "Borealis Offer") to acquire all of the outstanding units (the "Units") of Teranet Income Fund (the "Fund") and all of the outstanding Class B limited partnership units (the "LP Units") of Teranet Holdings Limited Partnership for consideration of \$11.00 in cash per Unit (the "Unit Consideration") and \$11.00 in cash per LP Unit (the "LP Unit Consideration"). The terms and conditions of the Borealis Offer are described in Borealis' offer to purchase and the related circular dated September 12, 2008 (together, the "Take-over Bid Circular").

We also understand that the Fund's board of trustees (the "Board of Trustees"), the board of directors ("the Board of Directors") of Teranet Inc. (the "Company"), an indirect wholly-owned subsidiary of the Fund, and the special committee of independent directors of the Board of Directors (the "Special Committee") are considering the Borealis Offer and potential strategies and alternatives that might be employed by the Fund in response to the Borealis Offer.

Engagement of CIBC World Markets

By letter agreement effective May 23, 2008, (the "Engagement Agreement"), the Company retained CIBC World Markets to act as a financial advisor to the Fund in connection with a potential transaction (a "Transaction") involving a direct or indirect sale or disposition of the Company or the Fund. Pursuant to the Engagement Agreement, the Company has requested that we prepare and deliver to the Board of Trustees, the Board of Directors and the Special Committee our opinion (the "Opinion") in writing as to the adequacy, from a financial point of view, of the Unit Consideration offered to holders of Units ("Fund Unitholders") and the LP Unit Consideration offered to holders of LP Units ("LP Unitholders", together with the Fund Unitholders, "Unitholders") pursuant to the Borealis Offer, other than Borealis and its affiliates.

CIBC World Markets will be paid a fee for rendering our Opinion. We will also be paid a fee in the event that a Transaction is completed during the term of the Engagement Agreement or prior to June 30, 2009. The Company has also agreed to reimburse CIBC World Markets for

its reasonable out-of-pocket expenses and to indemnify CIBC World Markets in respect of certain liabilities that might arise out of our engagement.

Credentials of CIBC World Markets

CIBC World Markets is one of Canada's largest investment banking firms with operations in all facets of corporate and government finance, mergers and acquisitions, equity and fixed income sales and trading, and investment research. The Opinion expressed herein is the opinion of CIBC World Markets and the form and content herein have been approved for release by a committee of its managing directors and internal counsel, each of whom is experienced in merger, acquisition, divestiture and valuation matters.

Scope of Review

In connection with rendering our Opinion, we have reviewed and relied upon, among other things, the following:

- i) the Take-over Bid Circular;
- ii) a draft dated September 25, 2008 of the Trustees' Circular submitted to the Board of Trustees for approval;
- iii) the final long-form prospectus of the Fund dated June 8, 2006, including the documents incorporated by reference therein;
- iv) the Fund's 2006 and 2007 annual reports, including the comparative audited financial statements and management's discussion and analysis, for the period from June 16, 2006 to December 31, 2006 and the fiscal year ended December 31, 2007;
- v) the Fund's comparative unaudited financial statements and management's discussion and analysis, for the quarters ended March 31, 2008 and June 30, 2008;
- vi) the Fund's annual information forms dated March 29, 2007 and March 11, 2008;
- vii) the Fund's management information circular dated March 11, 2008;
- viii) material change reports filed by the Fund and dated May 13, 2008, June 13, 2008 and September 5, 2008;
- ix) the Fund's presentation to Unitholders from its 2007 Annual Meeting of Unitholders;
- x) the amended and restated Declaration of Trust of the Fund dated June 6, 2008;
- xi) certain internal financial, operational, corporate, tax and other information prepared or provided by the management of the Fund and/or its advisors, including internal operating and financial budgets and projections;

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- xii) certain public information relating to the business, operations, financial performance and stock trading history of the Fund, other selected comparable public entities and relevant precedent transactions;
- xiii) selected relevant reports published by equity research analysts and industry sources regarding the Fund and other selected comparable public entities;
- xiv) a certificate addressed to us, dated as of the date hereof, from two senior officers of the Fund as to the completeness and accuracy of the information upon which this Opinion is based; and
- xv) such other information, analysis, investigations and discussions as we considered necessary or appropriate in the circumstances.

In addition, we have participated in discussions with members of the senior management of the Fund and its affiliates regarding, among other things, the Borealis Offer and the Fund's past and current business, operations, financial condition and future prospects. We have also participated in discussions with the Fund's external legal counsel, Cassels Brock & Blackwell LLP, the Fund's external tax advisors, Deloitte & Touche LLP and RBC Dominion Securities Inc., also a financial advisor to the Fund, concerning the Borealis Offer and potential alternative Transactions.

Assumptions and Limitations

The Opinion is subject to the assumptions, explanations and limitations set forth below.

We have not been asked to prepare and have not prepared a formal valuation or appraisal of any of the assets or securities of the Fund, the Company or any of their respective affiliates and our Opinion should not be construed as such.

With your permission, we have relied upon, and have assumed the completeness, accuracy and fair presentation of all financial and other information, data, advice, opinions and representations obtained by us from public sources, or provided to us by the Fund or its affiliates or advisors or otherwise obtained by us pursuant to our engagement, and the Opinion is conditional upon such completeness, accuracy and fair presentation. We have not been requested to or attempted to verify independently the accuracy, completeness or fairness of presentation of any such information, data, advice, opinions and representations. We have not met separately with the independent auditors of the Fund in connection with preparing the Opinion and, with your permission, we have assumed the accuracy and fair presentation of, and relied upon, the Fund's audited financial statements and the reports of the auditors thereon.

With respect to the historical financial data, operating and financial forecasts and budgets provided to us concerning the Fund and relied upon in our financial analyses, we have assumed (subject to the exercise of our professional judgement) that they have been reasonably prepared on bases reflecting the most reasonable assumptions, estimates and judgements of management of the Fund, having regard to the Fund's business, plans, financial condition and prospects.

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The Fund has represented to us, in a certificate of two senior officers of the Fund, dated the date hereof, among other things, that the information, data and other material (financial or otherwise) provided to us by or on behalf of the Fund, including the written information and discussions concerning the Fund referred to above under the heading "Scope of Review" (collectively, the "Information"), are complete, true and correct at the date the Information was provided to us and that, since the date of the Information, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or, to the best of their knowledge, prospects of the Fund or any of its affiliates and no material change has occurred in the Information or any part thereof which would have or which would reasonably be expected to have a material effect on the Opinion.

We are not legal, tax or accounting experts and we express no opinion concerning any legal, tax or accounting matters concerning the Borealis Offer or the sufficiency of this letter for your purposes.

We have not conducted any investigation concerning the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of the Fund, Borealis or any of their respective affiliates.

The Opinion is rendered on the basis of securities markets, economic and general business and financial conditions and legal and other regulatory regimes prevailing as at the date hereof and the conditions and prospects, financial and otherwise, of the Fund as they are reflected in the Information and as they were represented to us in our discussions with management of the Fund and its affiliates and advisors. In our analyses and in connection with the preparation of the Opinion, we made numerous assumptions with respect to industry performance, general business, market and economic conditions and other matters, many of which are beyond the control of any party involved in the Borealis Offer.

The Opinion is being provided to the Board of Trustees, the Board of Directors and the Special Committee for their exclusive use only in considering the Borealis Offer and may not be published, disclosed to any other person, relied upon by any other person, or used for any other purpose, without the prior written consent of CIBC World Markets. The Opinion is not to be construed as a recommendation to any Unitholder concerning the Borealis Offer. The Opinion is not to be construed as an opinion as to the adequacy of the allocation, as between Fund Unitholders and LP Unitholders, of the aggregate consideration offered by Borealis pursuant to the Borealis Offer.

The Opinion is given as of the date hereof and, although we reserve the right to change or withdraw the Opinion if we learn that any of the information that we relied upon in preparing the Opinion was inaccurate, incomplete or misleading in any material respect, we disclaim any obligation to change or withdraw the Opinion, to advise any person of any change that may come to our attention or to update the Opinion after the date hereof.

Opinion

Based upon and subject to the foregoing and such other matters as we considered relevant, it is our opinion, as of the date hereof, that:

- a) the Unit Consideration offered pursuant to the Borealis Offer is inadequate, from a financial point of view, to the Fund Unitholders, other than Borealis and its affiliates; and
- b) the LP Unit Consideration offered pursuant to the Borealis Offer is inadequate, from a financial point of view, to the LP Unitholders, other than Borealis and its affiliates.

Yours very truly,

CIBC World Markets Inc.

