



TERANET INCOME FUND

ANNUAL INFORMATION FORM

Dated as of March 11, 2008 for the year ended December 31, 2007

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INTRODUCTORY NOTES

Cautionary Note Regarding Forward-Looking Statements

This annual information form contains forward-looking statements and such forward-looking statements are expressly qualified in their entirety by this cautionary statement. Statements other than statements of historical fact contained in this annual information form may be forward-looking statements, including, without limitation, management's expectations, intentions and beliefs concerning the information products and services industry and the land-based information products and services sector thereof (including the ELRS), its competitive landscape, the general economy and the real estate market, statements regarding the amount and timing of the payment of distributions by the Fund and the future financial position or results of the Fund or Teranet, business strategy, proposed acquisitions, growth opportunities, capital and operating budgets, litigation, projected costs and plans and objectives of or involving the Fund or Teranet. Generally, these forward-looking statements can be identified by looking for words such as "believe", "expects", "will", "intends", "projects", "anticipates", "estimates", "continues" or similar words or the negative thereof. There can be no assurance that the plans, intentions or expectations upon which these forward-looking statements are based will occur. Forward looking statements are subject to risk factors, uncertainties and assumptions and should not be read as guarantees or assurances of future performance. Accordingly, readers are cautioned not to place undue reliance on any forward-looking information contained herein. Statements containing forward looking information reflect management's current beliefs and assumptions based on information in its possession on the date of this annual information form. Although management believes that the expectations and assumptions represented in such forward looking statements are reasonable, there can be no assurance that such expectations and assumptions will prove to be correct. Certain assumptions made in preparing forward-looking information and management's expectations include the assumption that the Ontario economy and consumer confidence will remain stable in 2008 and that unemployment and inflation will remain relatively low. Management has also assumed that interest rates will remain stable in 2008 and that conditions within the real estate market will remain consistent with the current climate. Subject to applicable law, neither the Fund nor Teranet assumes any obligation to update or revise forward-looking statements to reflect new events or circumstances.

Statements containing forward-looking information by their nature involve numerous assumptions and significant known and unknown facts and uncertainties of both a general and a specific nature. Some of the factors that could affect future results and could cause results to differ materially from those expressed in the forward-looking statements contained herein include risks relating to: the termination of exclusive licenses; the expiry of exclusive terms; the level of search and registration activity; Teranet's limited ability to set fees; potential disagreements with the Province; legislative changes; reliance on key personnel; reliance on information technology systems; rapid technological change; costs related to capital expenditures and system costs; uncertainty and potential liability resulting from licensed software used in connection with products; failure to protect Teranet's intellectual property rights; and interest rate fluctuations. There are also certain risks associated with the structure of the

Fund including: dependence on Teranet; cash distributions are not guaranteed; nature of Units; market price of Units; structural subordination of Units; distribution of securities on redemption or termination of the Fund; investment eligibility; dilution of existing Unitholders; potential liabilities; leverage and restrictive covenants; future sales of Units; income tax matters; implications of exercise of redemption right; limitation on potential growth; limitations on ownership; and exercise of dissent rights by a Teramira Holdings Inc. ("Teramira") shareholder. The information contained in this annual information form, including the information set forth under "Risk Factors", identifies additional factors that could affect the operating results and performance of the Fund and Teranet.

Use of Market and Industry Data

Certain of the information contained in this annual information form regarding the information products and services industry, the land-based information products and services sector thereof (including the ELRS) and the real estate market, is based upon management's knowledge of that industry and market and its estimates and assumptions relating to that industry and market are based on that knowledge. Management's knowledge of that industry and market has been developed through its experience and lengthy participation in the land-based information products and services sector. Management believes that its knowledge of the industry and market is accurate and that its estimates and assumptions are reasonable. However, certain of the information contained herein relating to the information products and services industry and the land-based information products and services sector thereof (including the ELRS) and the real estate market, cannot be independently verified.

Certain of the industry and market data contained in this annual information form are based on industry publications, market research, government sources and other publicly available information. While management believes this information to be reliable, such information has not been independently verified.

Trademarks

Teranet, the Gateway (arc) Design, Teraview, BAR-eX, reavs, FURMA, GeoWarehouse, Ocena, Ontario Parcel and Design, Purview, POLARIS, PORTAS, Unity, The Conveyancer and certain other trademarks are registered trademarks owned by Teranet in Canada. Teranet has filed trademark applications for additional trademarks in Canada and has also registered or filed applications for certain trademarks in the United States and the United Kingdom. All such Teranet trademarks and trademark rights are owned by Teranet. All other trademarks used in this annual information form are the property of their respective owners.

Stability and Other Ratings

S&P has assigned a stability rating of SR-2 to the Units. The rating is based on a rating scale developed by S&P which characterizes the stability of cash distribution streams. The following description of stability ratings is based on information made available from S&P. S&P's stability analysis encompasses the variability and sustainability of a cash distribution stream in the medium to longer term with a single stability rating of SR-1 through SR-7. Variability in the distribution stream refers to

changes in the distribution from period to period over a business cycle, whereas sustainability of the distribution stream refers to the length of time that distributions can likely be made. Together, these two characteristics are referred to by S&P as the stability profile of the issuer. The stability rating scale is organized such that a rating of SR-1 signifies the lowest level of cash distribution variability and the highest level of cash distribution sustainability, while a rating of SR-7 signifies the highest level of variability and the highest amount of uncertainty in the sustainability of the cash distribution stream. Specifically, income funds rated SR-2 are considered by S&P to have a very high level of cash distribution stability relative to other rated Canadian income funds. SR-2 is the second highest S&P rating available to units of Canadian income funds.

A rating is not a recommendation to buy, sell or hold any security and may be subject to revision or withdrawal at any time by S&P. There can be no assurance that the rating mentioned herein will remain for any given period of time or that it will not be lowered or withdrawn entirely by S&P at any time in the future if, in its judgement, circumstances so warrant. See "Description of the Business – Credit Facilities".

The long-term issuer credit and senior unsecured debt ratings (including the 2006 Bonds (as defined hereunder)) have been assigned ratings of "A+" with a stable outlook by S&P and "A" with a stable trend by DBRS. These ratings are not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization.

Both of the above rating agencies rate debt instruments with ratings ranging from "AAA", which represent the highest quality of securities, to "D", which represent securities that are in payment default. Debt instruments of issuers that are rated "A" from S&P have a strong capacity to meeting their financial commitments but are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than issuers in higher-rated categories. Debt instruments of issuers that are rated "A" from DBRS are of satisfactory credit quality. Protection of interest and principal is still substantial, but the degree of strength is less than that of "AA" rated entities. While "A" is a respectable rating, entities in this category are considered to be more susceptible to adverse economic conditions and have greater cyclical tendencies than higher-rated securities. An S&P rating may be modified by the addition of a plus "(+)" or minus "(-)" to show relative standing within the particular major rating category. A DBRS rating may be modified by the addition of a "(high)" or "(low)" to indicate the relative standing of a credit within a particular rating category. See "Description of the Business – Debt Facilities".

The Fund was selected to be added to the S&P/TSX Composite Index effective at TSX market open on Monday, September 24, 2007. The addition was a result of the Quarterly S&P/TSX Composite Index Review. In conjunction with the Fund's addition to the S&P/TSX Composite Index, it was also added to the S&P/TSX Capped Composite Index, the S&P/TSX Completion Index, S&P/TSX Income Trust Index, S&P/TSX Capped Info. Tech Index and the S&P/TSX SmallCap Index.

CORPORATE STRUCTURE

The Fund is an unincorporated, open-ended trust established under the laws of Ontario by the Declaration of Trust. The Fund qualifies as a "mutual fund trust" for the purposes of the Tax Act and as such, its activities are generally limited to investment activities. The Fund was created to indirectly acquire all of the outstanding shares of Teranet. Teranet primarily operates and supports a system of electronic registration of interests in real property in Ontario. 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. See "Description of the Fund".

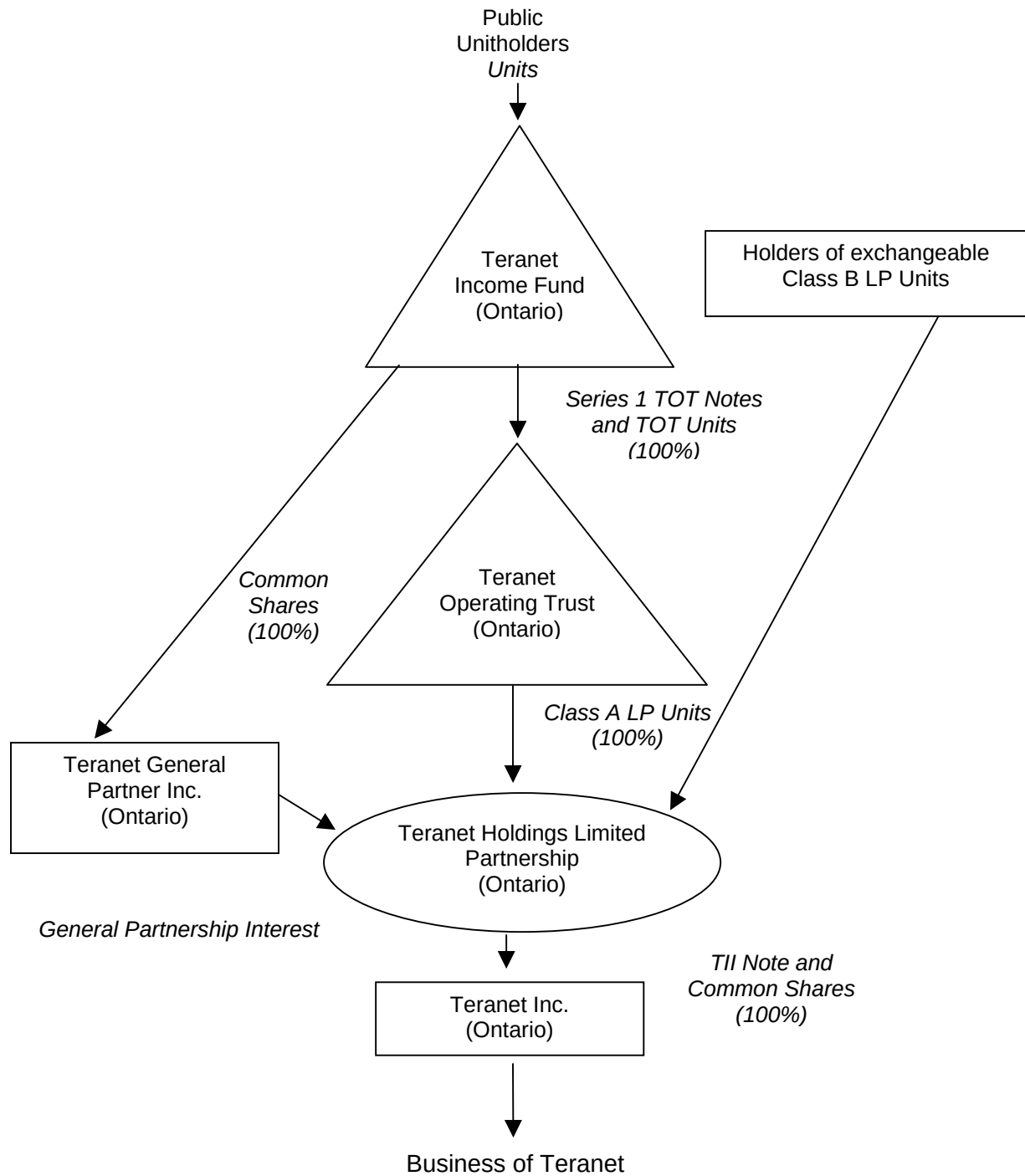
TOT is an unincorporated, open-ended trust established under the laws of Ontario pursuant to the TOT Declaration of Trust. TOT was established to hold, directly and indirectly, securities of Teranet Holdings LP and Teranet and other investments in entities engaged, directly or indirectly, in the business of providing other integrated information products and services, as well as activities ancillary and incidental thereto, and such other investments as the TOT Trustees may determine. See "Description of Teranet Operating Trust".

Teranet Holdings LP is a limited partnership established under the laws of Ontario. See "Description of Teranet Holdings LP". Teranet GP is the general partner of Teranet Holdings LP. See "Description of Teranet GP".

Teranet is the corporation continuing from the amalgamation on June 16, 2006 of Teranet Inc., Teramira, Miralta Teramira Inc., 1028484 Ontario Inc., 1255315 Ontario Inc., and Teranet Investments Inc. ("TII") and conducts the business described under "Description of the Business".

The principal and head office of the Fund and each of the Teranet Entities is located at 1 Adelaide Street East, Suite 600, Toronto, Ontario, M5C 2V9.

The following chart illustrates the structure of the Fund and its related entities as at December 31, 2007 (including jurisdiction of formation):



GENERAL DEVELOPMENT OF THE BUSINESS

Overview

Teranet originated as a strategic alliance of the public and private sector established in 1991 for the purpose of implementing certain changes to and modernizing the land registration system of Ontario. The private sector interest in Teranet was owned by Teramira Holdings Inc. ("Teramira"), a company owned by a consortium of private sector investors, and the balance of Teranet was held by the Province, as represented by Ontario SuperBuild Corporation (previously represented by the Ministry of Consumer and Business Services, now known as MGCS). On August 5, 2003, Teramira indirectly acquired all the outstanding securities of Teranet owned by the Province. On June 16, 2006, the Fund indirectly acquired all of the issued and outstanding securities of Teranet and concurrently completed an IPO, issuing 70 million Units at a price of \$10 per Unit, for aggregate gross proceeds of \$700 million. A substantial portion of the net proceeds of the IPO were paid to the Province pursuant to the terms of financial arrangements as required under a certain participation and ownership restriction termination agreement dated May 6, 2006. The balance of the net proceeds was used to repay existing indebtedness and to fund working capital and other reserves for Teranet. In addition, on July 10, 2006, the Fund issued 6,200,000 additional Units at a price of \$10 per Unit as a result of the exercise of the over-allotment option granted to the underwriters of the IPO, the net proceeds of which were used to acquire certain Units and Class B LP Units held by certain former indirect shareholders of Teranet.

Teranet is a leading provider of integrated land-based information products and services. Teranet operates in Ontario and provides access to the ELRS through its proprietary software application *Teraview*. This product enables customers to conduct electronic registrations as well as title and Writs searches relating to real property. Teranet has a well-established network of customers including lawyers, paralegals, real estate brokers and agents, search houses, title insurers, financial institutions, corporations, governments, police services, utilities, investigators and appraisers. As at December 31, 2007, approximately 18,700 users had been licensed to use *Teraview*, approximately 13,300 of whom had used *Teraview* at least once during 2007.

Teranet has the exclusive right under license from the Province to access the data in and operate the ELRS, and create and market value added products and services in connection with the ELRS, until and including March 31, 2017. After such date, if the exclusive license is not renewed, Teranet will have a perpetual non-exclusive right to access and use the ELRS data and any updates to the ELRS data and to continue to provide certain search and registration products and services to the public, and to create and market value added products and services to customers. Teranet is currently adding properties to this database through the conversion and automation of paper records contained in the Registry System and the Land Titles System. In addition, Teranet has the exclusive right under license from the Province to access and operate the Writs System in Ontario, and create and market value added products and services in connection with the Writs System, until and including March 31, 2017 (and any subsequent transition period as determined under the Writs

Agreements). If the exclusive license is not renewed, Teranet has a non-exclusive right to provide remote access to the Writs data and to continue to create and market value added products and services to customers until June 18, 2047.

In creating *Teraview*, Teranet has developed a proprietary intellectual property platform for information registration and transaction management. Teranet has the experience and ability to create information products and other electronic commerce services in business environments that utilize: (i) transaction integrity; (ii) user authentication/public key infrastructure; (iii) information registration; (iv) collection, billing, accounting and royalty distribution; and (v) remote access through web-based portals and software and onsite access via terminals.

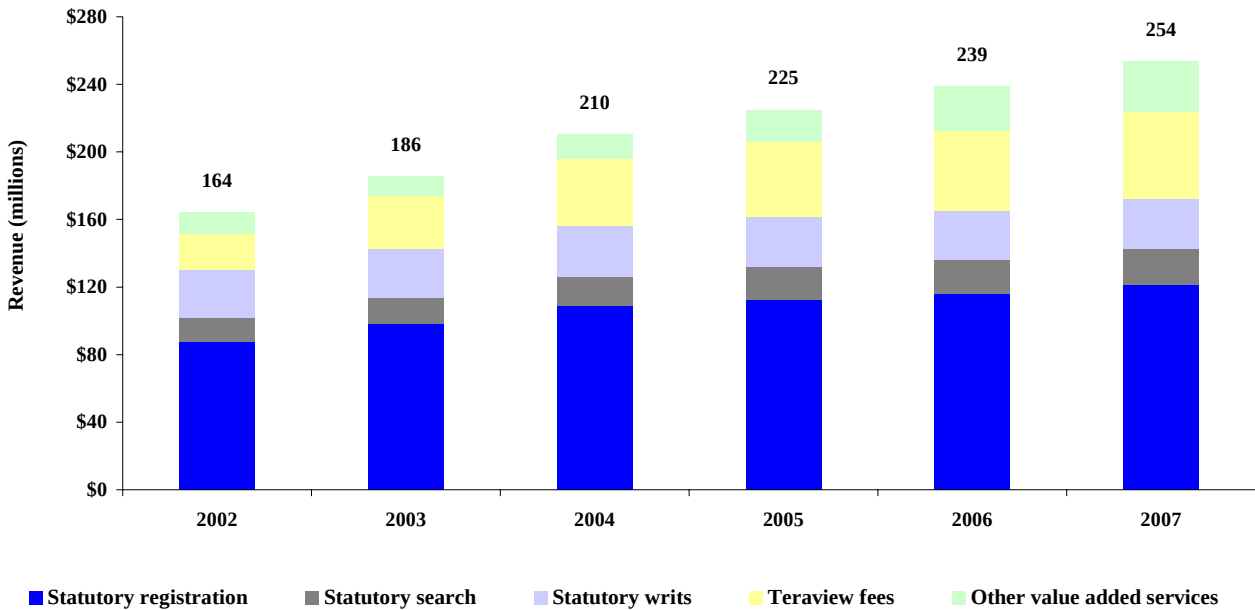
Teranet has leveraged its core capabilities to create electronic service offerings in complementary information and e-commerce areas. These service offerings include Teranet's *GeoWarehouse* service, land transfer tax collection services, and *Purview* risk management service.

On February 1, 2008 Teranet acquired Do Process Software Ltd. and its affiliated companies which offer complementary products and services to the legal community across Canada.

DESCRIPTION OF THE BUSINESS

Teranet generally receives revenue on a fee for transaction basis. A substantial portion of Teranet's revenue consists of statutory fees imposed by the Province on ELRS and Writs System end-users under applicable legislation (representing approximately 68% of Teranet's revenue for the 12 months ended December 31, 2007) and remote access fees received by Teranet in connection with electronic registrations and searches (onsite or remotely). See "Agreements with the Province — License Agreement — Fees" and "— Writs Agreements — Fees". The following chart illustrates Teranet's revenue by type of fee earned:

Teranet Revenue by Fee Type



Source: Teranet files (figures are for the years ended December 31).

Statutory registration fees consist of fees received by Teranet for registrations relating to all automated properties whether onsite or remotely via *Teraview*. Statutory search fees consist of fees received by Teranet for electronic searches conducted onsite at the LROs, through *Teraview*, the *ROSCO* terminals and the *BAR-eX* and *GeoWarehouse* portals. Statutory Writs fees consist of fees received by Teranet for Writs searches conducted through *Teraview* and via the *ROSCO* terminals and *BAR-eX* portal (excluding province-wide OWL Writs searches). *Teraview* remote access fees consist of remote access fees received by Teranet in connection with electronic registrations and searches (onsite or remotely) via *Teraview*. Fees for other value added services include fees received by Teranet for Writs electronic filing and province-wide OWL Writs searches via the *BAR-eX* portal and from other statutory ancillary onsite revenue.

Teranet management have identified seven categories of *Teraview* registrations and ELRS search activity:

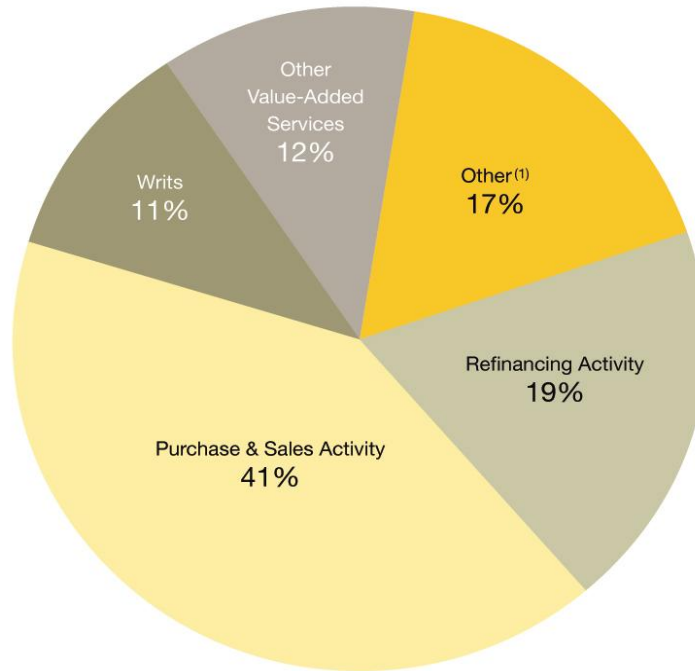
- **Real Estate Activity:** comprised of registrations or ELRS searches related to the transfer of a property. This category is composed of all transfers with consideration of over \$100 and charges filed for purchase financing and/or discharges filed to remove any pre-existing charges related in time to the transfer.
- **Refinancing Activity:** comprised of registrations or ELRS searches related to refinancing activity, typically occurring when an owner wishes to change

lender or terms on an existing mortgage. This category is composed of registrations and searches where there is both a charge and a discharge but no new transfer being registered on a particular property, all within a specified time.

- *Mortgage Credit Activity:* comprised of financing activity against a property without a pre-existing mortgage or where there has been no discharge of an existing mortgage. This category is composed of registrations or ELRS searches related to a new charge filed against a property where there is a charge but not a transfer or discharge within a specified time period. Examples of this activity include reverse mortgages, second mortgages and lines of credit.
- *Maturity Discharge Activity:* comprised of activity that occurs on full payment of a mortgage and its resulting removal from title. This category is composed of registrations or ELRS searches related to a property where there is a discharge but not a new transfer or new charge within a specified time period.
- *Title Change Transfers:* comprised of transfers of title to a property with consideration of \$100 or less. These transfers are typically filed to document changes in title after events such as marriage or death.
- *Other Registration Activity:* comprised of the remaining registration types, examples of which include transfers of easements, liens and application general.
- *Unrelated ELRS Search Activity:* comprised of searches that could not be correlated with any of the above activities. These searches can occur for any number of reasons such as verification of ownership or rights of way.

The following chart illustrates Teranet's total revenue by general type of activity, as defined above, for the 12 months ended December 31, 2007:

2007 REVENUE BY ACTIVITY



(1) Other includes Mortgage Credits, Maturity Discharges, Title Change Transfers, Other Registrations, and Unrelated ELRS Searches.

Revenue by activity analysis is an estimate only.

Automation and Conversion Status

Of the approximately 5.2 million parcels that were available for searching in the ELRS as at December 31, 2007, approximately 3.8 million parcels (or approximately 74.3%) were available as a result of the implementation work completed by Teranet. The balance of automated parcels were either originally implemented by MGCS prior to Teranet having commenced its implementation work or have been added by MGCS in the ordinary course, since 1991, as a result of parcel subdivisions and the creation of parcels in connection with condominium development.

In addition to those parcels implemented by Teranet between 1991 and March 31, 2002, the Implementation Agreement with the Province required Teranet to implement approximately 1.1 million parcels between April 1, 2002 and August 30, 2007. Prior to December 31, 2006, Teranet completed the 1.1 million parcels (actual, approximately 1.2 million parcels) in the Implementation Plan, ahead of schedule and under budget. Teranet has since commenced and is as of December 31, 2007 continuing automation and conversion under the terms of the Supplemental Plan.

Pursuant to an amendment to the Implementation Agreement, after completion of the Implementation Plan and the Supplemental Plan, which collectively require Teranet to spend no more than \$215 million, Teranet will continue under the Continuation Plan to work on implementing the remaining parcels in Ontario with the goal of completing full implementation virtually province-wide, subject to an additional maximum expenditure of \$90 million for such work. Of the \$90 million, \$35 million has been funded by MGCS for services to be rendered. Should this amount prove insufficient for the completion of implementation of the remaining parcels, MGCS may, at its discretion, provide further funding to complete implementation of the remaining parcels in Ontario or Teranet and MGCS will mutually agree which offices/parcels will remain unautomated or unconverted. Teranet and MGCS have also agreed upon a detailed gain sharing formula should the actual cost of the remaining work be less than the agreed amounts. The agreed governance process to monitor the progress of the implementation project will remain in place.

Products and Services

Teranet products and services include: (a) its core products and services consisting of *Teraview*, which provides an electronic transaction based "gateway" to ELRS services, its *e-reg* application, *POLARIS* data, mapping data and the Writs System, and *ROSCO* terminals, which enable users to conduct onsite searches of the Writs System and ELRS searches; and (b) its other products and services such as *GeoWarehouse*, *Closure*, the *BAR-eX* website and other products described below. The following chart sets forth Teranet's key products and services:

Core Products and Services	<i>Teraview</i> <i>e-reg</i> ELRS Search <i>WritSearch</i>	Provides an electronic transaction based "gateway" to ELRS services, its e-reg application, POLARIS data, mapping data and the Writs System
	<i>ROSCO</i> terminals	Enable users to conduct onsite searches of the Writs System and ELRS searches
Other Products and Services	Mapping Services and <i>Ontario Parcel</i>	Provides access to ownership and assessment mapping and other information to municipalities, utilities and other entities for such customers' geographic information systems and infrastructure programs
	<i>GeoWarehouse</i>	Provides access to land registry data, third party mapping and other land-related data to customers with an interest in the real estate industry such as real estate agents, appraisers, surveyors and governments

<i>Closure</i>	Enables electronic management and exchange of closing funds and disbursements for real estate transactions without the need for certified cheques, bank drafts, direct deposits or courier deliveries and the associated administrative effort. This service is presently in pilot
<i>Purview Risk Management Suite and REDX fraud prevention services</i>	Offers financial institutions and other mortgage lenders products such as automated valuation models and fraud checks that are designed to lower the risks associated with mortgage and real estate transactions
<i>BAR-eX</i>	Provides the legal community with secure delivery of government searches, remote issuance and filing of Writs and other information and services
<i>Municipal Land Transfer Tax Collection</i>	Provides municipalities with the capability of collecting municipal land transfer taxes via Teraview
<i>The Conveyancer (Do Process Software Ltd.)</i>	Provides the legal community with a software application that assists in managing the workflow and information required in real estate transactions both in terms of document generation as well as web based integration to third party applications relevant to the real estate professional
<i>estate-a-base (Do Process Software Ltd.)</i>	Provides for electronic database, document production and estate accounting in relation to the administration of estates
<i>Fast Company (Do Process Software Ltd.)</i>	Provides for the maintenance and generation of corporate records and documents, including government prescribed forms in Canada

Teranet generally receives revenue on a fee for transaction basis. A substantial portion of Teranet's revenue consists of statutory fees imposed by the Province on ELRS and Writs System end-users under applicable legislation (representing approximately 68% of Teranet's revenue for the 12 months ended December 31, 2007) and remote access fees received by Teranet in connection with electronic registrations and searches (onsite or remotely).

The Teraview Gateway

Teraview is a proprietary software product developed by Teranet that provides its licensed customers and the Province with electronic access to ELRS search, e-reg and Writs search, as well providing a vehicle for collecting provincial and municipal land transfer taxes. Teraview is marketed to individuals and businesses with a need to access land-related information. As at December 31, 2007, approximately 5,700 account holders with approximately 15,000 *Teraview* licenses, representing an aggregate of approximately 18,700 users, have been licensed to use *Teraview*. Of *Teraview's* licensed users, approximately 13,300 had used the application in 2007.

During the 12 months ended December 31, 2007, *Teraview* (and *ROSCO* terminals) accounted for approximately 86% of Teranet's revenue.

Users of *Teraview* are able to automatically maintain billing and other administrative records in order to track and bill their clients' accounts. Users can customize their clients' dockets so that they are administered in accordance with specific needs. Dockets can be summarized, compiled, displayed, downloaded or printed for billing purposes. Users of *Teraview* require a *Teraview* software package and a personal security license credential and a personal computer equipped with Internet access. Such users establish a customer account with Teranet and deposit a specified amount into such account, from which Teranet deducts fees for the use of *Teraview*. *Teraview* users access Teranet's secure servers via Internet connections. Teranet maintains multiple redundant high volume terminal servers, each with a high speed dedicated connection to the POLARIS database mainframe.

The *Teraview* software operates on a fee for transaction model. All search related charges are withdrawn from a user's *Teraview* deposit account online, which virtually eliminates Teranet's risk of non-payment. The *Teraview* deposit account balance can be "topped up" online at the user's convenience. All registration fees and land transfer taxes are electronically withdrawn from a user's designated bank account, thereby also virtually eliminating Teranet's risk of non-payment. The following chart sets forth a summary of the current transaction fees for common *Teraview* services (which are in addition to license fees to license the *Teraview* software):

<u>Teraview Transaction</u>	<u>Transaction Fee</u>
Parcel Register Search (1 st page)	\$18-\$28
Document Registration	\$70
<i>WritSearch</i> Name Search	\$11-\$14
<i>WritSearch</i> Detail Report	\$6 to cap of \$60 per name

e-reg

Teraview allows users to electronically complete and electronically register land registration documents such as transfers and charges from a user's computer using the *e-reg* application, thus eliminating the need to complete such land registration documents in paper form or attend at an LRO to submit such documents for registration. *e-reg* utilizes a feature known as "pre-population" that decreases the time needed to complete land registration documents and increases the accuracy of the information contained in such documents. Pre-population is the process by which certain information in the ELRS that is required to be provided in land registration documents, such as a property description, is automatically entered into these documents. *e-reg* requires documents to be digitally signed and encrypted using *Teraview's* security features. *e-reg* also enables users to remit required fees and taxes in connection with real estate transactions. The *e-reg* system was developed by Teranet in close cooperation with MGCS, the Ministry of Finance, The Law Society of Upper Canada, the Ontario Bar Association, and the Canadian Bankers Association.

The *e-reg* application can be accessed through *Teraview* either onsite at an LRO or through remote access from a user's office. Transaction fees for registration using the *e-reg* application paid by users of *Teraview* include statutory fees payable under applicable legislation which are set by the Province and remote access fees. Such remote access fees are not controlled by statute and are set by mutual agreement of Teranet and the Province.

The *e-reg* application was introduced on January 25, 1999 and as at December 31, 2007, approximately 9.5 million electronic registrations using the *e-reg* application have been completed. During the 12 months ended December 31, 2007, approximately 96.2% of the approximately 2.0 million registrations conducted in Ontario were performed electronically, either onsite or remotely.

ELRS Search

Teraview permits users to search the ELRS, which can be conducted using many different search criteria such as a parcel's PIN, a street address, a registration instrument number or by map. Any one of these search criteria allows a user to identify a particular property and access the parcel record containing property descriptions, the owner's name and a list of all active registered instruments relating to such property. The parcel record can be printed and is the same as the parcel register which would be obtained at an LRO. An ELRS search also permits users to verify a property's PIN, request and/or view online copies of plans of survey or documents registered in paper form on a property, browse or print documents and instruments which have been electronically registered against a property and identify current encumbrances. Mapping is available in *Teraview* to identify and search adjacent properties.

Teraview may be used to search the ELRS onsite at an LRO and through remote access from a user's office. Fees for ELRS searches paid by users of *Teraview* onsite or remotely include statutory fees payable under applicable legislation, which are set by the Province, and remote access fees. Such remote access fees are not controlled by statute and are set by mutual agreement of Teranet and the Province.

Between 1991, when Teranet commenced POLARIS implementation, and December 31, 2007, approximately 20.8 million electronic searches were performed in the ELRS. For the year ended December 31, 2007, approximately 2.6 million searches were performed against automated properties and of these, approximately 72% were performed electronically using *Teraview*.

Writs Search

Writs are filed at an LRO or an enforcement office and are entered into the Writs System directly by provincial officials. Users can also issue and file Writs electronically through Teranet's *BAR-eX* website. Writs may also be searched onsite at LROs through *ROSCO* terminals.

Teraview permits users to search Writs using its *WritSearch* application, which provides online access to the Writs System. Writs are contained in the Writs System, which is part of a system developed, managed and operated by Teranet. *Teraview* permits users to search Writs filed against an individual or corporation anywhere in Ontario and allows users to obtain Certificates of Clearance and Certificates of Execution. These certificates are utilized in respect of transactions involving properties in either the Registry System or the Land Titles System. Users may also view Writs details online and print Writs Detail Reports.

Fees for Writs searches through *Teraview's WritSearch* application as paid by users of *Teraview* and Writs searches via the *ROSCO* terminal include statutory fees payable under applicable legislation, which are set by the Province, and remote access fees. Such remote access fees are not controlled by statute and are set by mutual agreement of Teranet and the Province.

Other Products and Services

Teranet has leveraged its core business capabilities in creating electronic service offerings in complementary information and e-commerce areas. Teranet provides land registry data and other land-related data through different channels to different types of customers. Teranet has also used its technical expertise to create new technology based products and services. In addition, Teranet acquired Do Process Software Ltd. and its affiliated companies which offer complementary products and services to the legal community across Canada.

These products, services and initiatives include the following:

- (i) *Mapping Services and Ontario Parcel* relate to the mapping data contained in the ELRS to municipalities, utilities and other institutions. The ELRS mapping database can be utilized to generate geographic data for pre-defined areas of interest to the customer. The mapping data accessible includes property information (such as road allowances, road names, subdivisions, major easements), survey information and topographical information (such as water bodies and railways). In addition, *Ontario Parcel*, created as a result of the Ontario Parcel alliance with MPAC and the Ministry of Natural Resources, allows Teranet to provide ownership and

assessment mapping and other information to municipalities, utilities and other institutions for their geographic information systems and infrastructure programs. By providing updated mapping data to these customers, Teranet's mapping subscription services are a cost effective alternative to such customers maintaining such data and have enabled Teranet to build strong relationships with municipalities, utilities and other institutions;

- (ii) *GeoWarehouse* (data warehouse title data, mapping and other land-related information) makes ELRS data and other land-related data available for customers in the real estate industry such as real estate agents, appraisers, surveyors and governments in an easy to use format;
- (iii) *Purview* Risk Management Suite and *REDX* fraud prevention services offer financial institutions and other mortgage lenders products such as automated valuation models and fraud checks that are designed to lower the risks associated with mortgage and real estate transactions;
- (iv) *Closure* enables electronic management and exchange of closing funds and disbursements for real estate transactions without the need for certified cheques, bank drafts, direct deposits or courier deliveries and the associated administrative effort. This service is presently in pilot;
- (v) the *BAR-eX* website builds on Teranet's existing relationship with the legal community in Ontario and provides an electronic "single point of entry" for the general legal community to new and existing legal services and products such as *PropertySearch* which provides a copy of the parcel register for a property, *WritSearch* by jurisdiction, *OWL* Writs searches province-wide, *WritFiling* as well as other products and services for the legal community;
- (vi) Municipal Land Transfer Tax collection services, providing municipalities with the capability to collect municipal land transfer taxes through Teraview;

Do Process Software Ltd. products and services that include:

- (vii) *The Conveyancer* provides the legal community with a software application that assists in managing the workflow and information required in real estate transactions both in terms of document generation as well as web-based integration to third party applications relevant to the real estate professional;
- (viii) *estate-a-base* provides for electronic database, document production and estate accounting in relation to the administration of estates; and
- (ix) *Fast Company* provides for the maintenance and generation of corporate records and documents, including government prescribed forms in Canada.

Because of Teranet's experience in operating the ELRS and managing the related networks and payment processes, Teranet has developed intellectual property and technology expertise and created other technology-based products and services that can be used in the real estate sector and other industries. Teranet has filed patent

applications for a number of these technologies in various jurisdictions. Some of the technologies are as follows:

- (i) *Unity* transaction management services is an e-commerce and payment processing infrastructure which allows organizations to provide online payment services to their customers without having to go through expensive and time-consuming integration with their back office systems. *Unity* is used in a product which was created through a strategic alliance of Teranet and a major Canadian chartered bank and which allows municipalities to receive the benefit of online collection of parking fines while the public receives the convenience of online payment. *Unity* has also been used by Teranet in its *NoticePay* service which allows customers such as hospitals and trade associations to collect and receive online fees for certain services provided to the public;
- (ii) *Ocena* enterprise management services provide effective and responsive technical support and networked systems to customers and take advantage of Teranet's reputation for operational reliability in information management making it an ideal solution for the healthcare sector and similar industries which place a premium on reliability;
- (iii) *PORTAS* is a certificate authority and public key infrastructure (PKI) established, operated and administered by Teranet. *PORTAS* helps secure sensitive online transactions by providing confidentiality, integrity and authentication for online users and their transactions. Teranet has developed extensive expertise in security and PKI services, which allows Teranet to provide consulting and other services in the online marketplace; and
- (iv) *FURMA* is a generic registration framework, which can be used to assist in creating large and complex registration systems for unique business environments that do not lend themselves to available packaged software solutions.

Teranet Recognition

Teranet's involvement with the automation of Ontario's land registry system helped the Province win, in 1998, the first gold medal awarded by the Commonwealth Association for Public Administration and Management. The award recognizes innovations in improving customer service. Teranet has also received numerous other awards for its successful alliance with the Province, its *Teraview* software, as well as for its work with and support to local governments. These awards include the following:

- 2007 IR Magazine Canada Awards - Nominated for Best Investor Relations for an IPO (in 2006)
- 2006 The Canadian Society for Training and Development – Honourable Mention for Teraview e-learning
- 2005 Top 100 Employers for Recent Graduates
- 2004 Branham 300 Canada's Best Technology Companies

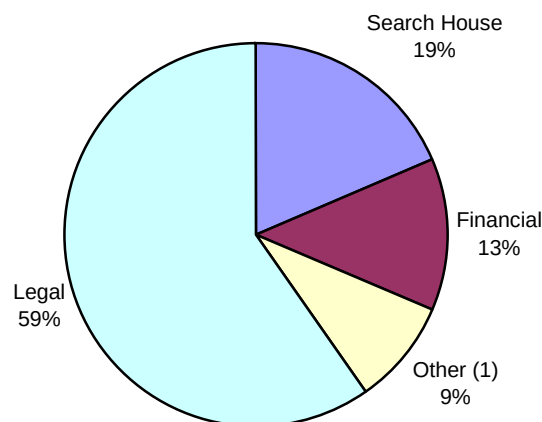
- 2003 Showcase Award of Excellence — Public Private Partnerships
- 2002 and 2003 Top 100 Employers in Canada
- 2002 Branham #8 in 100 Top Canadians IT Professional Services Organization
- 2001 CIO Canada's ITX Award for Best in Information Technology for the world's first electronic land registration system
- 2000 Deloitte & Touche Canadian Technology Fast 50 Award
- 2000 Deloitte & Touche North American Technology Fast 500 Award
- 1999 Canadian Online Product Award — Best Institutional Online Product — Legal Category — for *Teraview*
- 1998 Canadian Council for Public Private Partnerships' Award for Service Delivery

In addition, Teranet has provided consulting, systems integration and knowledge transfer services to international clients and the capability exists for Teranet to take advantage of similar future opportunities.

Customers

The following chart illustrates Teranet's revenue (including both statutory and non-statutory revenue) earned from all customers, segmented by customer type for the 12 months ended December 31, 2007. All onsite revenue is classified as "Legal" customer type although all such customers may not be in the legal category:

Teranet Revenue by Customer Type LTM ended Dec 31, 2007



(1) Other includes Utilities, Commercial, Real Estate and Government

As at December 31, 2007, there were approximately 5,700 licensed *Teraview* account holders with approximately 15,000 licenses representing approximately 18,700 licensed users, 13,300 of whom had used *Teraview* at least once during 2007. *Teraview* account holders can be broadly categorized as members of the legal community (including lawyers, law clerks and conveyancers) and institutional users (such as financial institutions, search houses, governments, corporations, brokers and utility companies). As at December 31, 2007, 191 municipalities and educational institutions were licensed users of Teranet's information products, either under direct license from Teranet or as sub-licensees. In addition, as at December 31, 2007, 41 real estate boards in Ontario, representing approximately 46,180 real estate agents were licensed to use Teranet's *GeoWarehouse*. As at December 31, 2007, 66 municipalities, court districts, government departments, trade associations and hospitals were utilizing Teranet's transaction management services to provide services such as fine payment, bill payment, license renewal and permit application, either under contract with Teranet or through Teranet's business partners.

Sales and Marketing and Customer Support

The marketing of *Teraview* and related products to lawyers, conveyancers and other non-institutional end-users is initiated through direct mailings and is completed through telephone sales. Institutional sales, primarily made to financial institutions such as banks, are accomplished primarily through direct contact with potential customers. Sales efforts focus on usage by end-users of *Teraview* in order to encourage utilization of *Teraview*. Teranet representatives visit Teranet customers to identify specific needs of users and to propose ways to use *Teraview* to increase productivity. When Teranet sales and customer service personnel are training customers in the use of the *e-reg* application (required in automated LROs), they take full advantage of the opportunity to market Teranet value added products.

Customer service remains a key priority for Teranet. Teranet's Customer Service Centre strives to add value by providing customers with easy access to the answers they need to complete their business. Such service is provided through the toll-free help line available for personal telephone support for all products and service support; and for certain automated services, there is a customer help area within *Teraview.ca* which provides easily searchable answers and request forms and various e-mail service options. The Customer Service Centre seeks to maintain an excellent quality of service with a focus on satisfying all customer queries on the same day that they are received by Teranet. The Customer Service Centre also reports on system availability and customer reported issues. Feedback is provided directly to the systems and development department for quality improvements to Teranet's product offering.

Information Services

As at December 31, 2007, Teranet's information services department had 181 full time technology related staff. The information services department is organized in two major groups: Systems Development and Data Utility. Systems Development had 111 employees and is responsible for the support and enhancements of Teranet's existing

applications, development of new applications and services, quality assurance, architecture planning and security. Forty-four employees in Systems Development are directly involved in the support and development of enhancements of *Teraview*, POLARIS and Writs System applications. Data Utility, with 70 employees, provides infrastructure related platforms and services as well as being responsible for the management and monitoring of all the production environments.

Systems Development

Systems development costs in the 12 months ended December 31, 2007 were \$11.7 million. In addition, \$.4 million was spent on capital expenditures relating to systems development. Systems development costs include the ongoing costs related to *Teraview*, *WritSearch*, mapping services, implementation support (including "Integrated Electronic Worksheet", a Teranet internal software product related to the streamlining of the implementation process) and new business initiatives. Also included in systems development costs are costs associated with enhancements for statutory and remote access revenue.

Data Utility and Other Operating Costs

Teranet has developed leading edge information systems to provide its various products and services to clients on a reliable and secure basis. Teranet's operations, including the networks utilized to offer *Teraview* and other related services to end-users, deploy a network of over 200 servers and 500 routers, switches, firewalls and virtual private networking devices. The reliability of Teranet's technological infrastructure is crucial to the integrity of its data and services. In the 12 months ended December 31, 2007, Teranet's expenditures on information technology, excluding systems development costs and the \$3.5 million for capital expenditures, totalled \$25.9 million. Teranet believes that its own technology infrastructure, in conjunction with the infrastructure of its suppliers, is adequate to maintain the ELRS and to provide high quality services such as *Teraview* reliably to clients.

Teranet utilizes hardware from leading international suppliers and utilizes proven systems, network and database architecture. Teranet is not reliant upon any single supplier or vendor. Teranet works closely with its hardware and software suppliers on an ongoing basis to update and maintain its systems to increase their redundancy and reliability to provide seamless service to its clients.

Third Party Service Providers

Through joint venture and sub-contracting relationships, Teranet brings the appropriate experience, technology and expertise to execute its mandate under the Implementation Agreement. Teranet had, in the past, outsourced a significant portion of implementation work to third party service providers; however, all such work on creating the title database is now performed directly by Teranet staff. Teranet believes that it has greater control over total capital spending as well as enhanced productivity and quality by maintaining the key knowledge-based work internally. Other work related to implementation such as map production and imaging is performed through outsourcing arrangements, which have proven to be cost-effective.

A third party under agreement with Teranet maintains the mainframe computer, which stores information in the POLARIS title database and provides other services to Teranet relating to the maintenance and operation of certain aspects of POLARIS. This agreement expires on December 31, 2008 but may be extended by the parties or terminated earlier by Teranet for convenience upon at least six months notice. As part of the ELRS Re-Engineering Project P1V1, Teranet's current plan is to operate these services internally.

Capital Expenditures

Teranet requires certain annual maintenance capital expenditures to support its ongoing operations. Maintenance capital expenditures include items such as disk storage devices, network servers and other computer hardware devices. Maintenance capital expenditures for the 12 month period ended December 31, 2007, were \$4.1 million. Teranet's management anticipates that annual maintenance capital expenditures will be approximately \$5.0 million for 2008.

Costs incurred to implement the ELRS since June 16, 2006, the date of the IPO, are referred to as deferred ELRS implementation costs and are recorded at cost less accumulated amortization. These deferred costs are amortized on a straight-line basis over the remaining exclusive term of the License Agreement with the Province from June 16, 2006 to March 31, 2017.

Employees

As at December 31, 2007, Teranet employed 680 people. Of such employees, 307 were employed in the direct automation, conversion and maintenance of POLARIS and were represented by the Ontario Public Service Employees Union under a three-year collective agreement effective January 1, 2007, which expires December 31, 2010. Teranet believes that relations with its employees are excellent.

Properties

The following table sets out, as at March 4, 2008, the location of Teranet's principal operating facilities, all of which are leased:

<u>Location</u>	<u>Lease Expiry Date</u>
One Adelaide Street East, Toronto	July 31, 2011
655 Bay Street, Toronto	July 31, 2011
148 Fullerton Street, London	December 31, 2010
Mississauga Data Centre	May 31, 2011
Markham Data Centre	December 31, 2014
2200 Yonge Street Suite 1300, Toronto	January 31, 2012

In addition to the foregoing, certain of Teranet's employees work at offices maintained by MGCS at 20 Dundas Street West, Toronto, and other LROs.

Competition

In Canada, land information and database management is dictated by provincial and municipal governments, which own and control paper-based records and any underlying data. Since 1991, Teranet has been the Province's exclusive partner with respect to the implementation and operation of the ELRS, and has been granted certain exclusive rights until and including March 31, 2017. Teranet has an exclusive license to land transfer tax data as part of land registry data licensed under the License Agreement, and Teranet has licensed this data to MPAC which has an obligation to pay Teranet a royalty for any non-statutory products it commercializes that use any data that is the subject of Teranet's exclusive license.

Teranet faces competition for its current product and service offerings (other than those products and services that are based upon Teranet's exclusive rights). Such competitors include MacDonald, Dettwiler and Associates Ltd., CARIS and other land information and electronic database management companies in Canada and the United States as well as software developers and information systems companies. As Teranet expands and evolves its product and service offerings, it will also face competition in respect of new products and services.

Upon the expiry of the ELRS Exclusive Term and the Writs Exclusive Term, if such exclusive licenses are not renewed, Teranet will be able to continue providing certain search and registration products and services to the public as well as create and market value added products and services, regardless of the Province's decision regarding exclusivity. If the Province decides there should be a competitive marketplace, other parties will also be permitted to provide those same or similar products and services to the public. However, any royalties payable to the Province by Teranet for the right to provide the specified services and value added products may not exceed the royalties payable by any third party for the same rights. Therefore, no third party can reduce Teranet's share of the market for *Teraview* and its other products and services and value added products on price competition alone based on a more favourable royalty rate from the Province. See "Agreements with the Province."

Credit Facilities

On May 8, 2006, Teranet established new credit facilities (the "Credit Facilities"). The following description of the Credit Facilities is qualified in its entirety by reference to the provisions of the credit agreement providing for the Credit Facilities which can be found on SEDAR at www.sedar.com. Advances under the Credit Facilities were permitted after the redemption date for Teranet's previously outstanding senior bonds and the junior bonds, which took place on July 17, 2006. The Credit Facilities made available to Teranet consisted of a \$315.0 million bridge loan facility, a \$150.0 million term loan facility, a \$100.0 million capex facility, a \$70.0 million revolving facility, and a \$30.0 million letter of credit facility.

On August 16, 2006, proceeds from the issue of the 2006 Bonds (defined below in Debt Facilities) pursuant to the Amended Indenture were used to repay the \$315.0 million bridge loan facility and the \$150.0 million term loan facility. Subsequent to such repayment, these two facilities have been terminated.

A \$100.0-million capex facility will be used for expenditures required to continue to invest in the ELRS system. As of December 31, 2007, no amounts were drawn.

A \$70.0-million revolving facility will be used to finance Teranet's working capital requirements and for other general corporate purposes. As of December 31, 2007, no amounts were drawn.

A \$30.0-million letter of credit facility will be used for letters of credit required to secure Teranet's obligations in respect of the collection of land transfer taxes and as otherwise required by Teranet in the ordinary course of its business. As of December 31, 2007, \$22.0 million was outstanding. Teranet is required to comply with certain financial covenants set out in the Credit Facilities. Teranet was in compliance of all such covenants as at December 31, 2007.

Debt Facilities

On July 17, 2006, a \$315.0 million bridge loan facility and a \$150.0 million term loan facility were drawn on by Teranet. These were applied, together with a portion of the net proceeds of the IPO, to the redemption of its \$280.0 million Series 1999-1 6.48% senior revenue bonds due September 8, 2009 and the \$268.7 million of remaining principal Series 2003-1 5.737% junior bonds due March 31, 2017. A debt breakage fee of \$32.6 million was also paid. A note payable to the Province of \$20 million was also repaid on July 17, 2006.

On August 16, 2006, the Fund issued two senior secured series bonds totalling \$470.0 million comprised of \$235.0 million senior secured series 2006-1 bonds with a 4.668% interest rate per annum, interest payable semi-annually until maturity and principal due August 16, 2011 and \$235.0 million senior secured series 2006-2 bonds with a 5.039% interest rate per annum, interest payable semi-annually until maturity and principal due August 16, 2016 (collectively, the "2006 Bonds").

The 2006 Bonds were issued pursuant to and are governed by the Amended Indenture. All borrowings under the Amended Indenture are secured by substantially all of the assets of Teranet, including, without limitation, all Revenues (as such term is defined in the Amended Indenture). The Amended Indenture provides upstream and downstream guarantees (including all entities in the trust structure above Teranet other than the Fund) and all Material Subsidiaries (as such term is defined in the Amended Indenture) of Teranet. In accordance with the terms of the Amended Indenture, Teranet may not incur any Borrowings (as such term is defined in the Amended Indenture) that are senior to the outstanding bonds. The foregoing is qualified in its entirety by reference to the provisions of the Amended Indenture which can be found on SEDAR at www.sedar.com.

INDUSTRY OVERVIEW

The information products and services industry has evolved from paper based systems to electronic database systems, which now provide sophisticated capabilities for electronically collecting and organizing data, and providing innovative software tools and applications in order to access and analyze such data. Advanced electronic information solutions, including document registration and transaction and payment management, are used by governments and by businesses in a variety of industries including real estate, financial services, healthcare and telecommunications.

In the real estate industry, information solutions provide essential land-related information and facilitate day-to-day business activities such as property title searches and registrations by real estate lawyers, financial institutions and title insurers, amongst others.

Land Information Market

Land registration systems are the means by which title to real property and legal documents affecting such title are recorded and notice of ownership and other interests in real property are given to the public. Legal documents representing transfers of ownership in property, mortgages or other claims or liens against real property, are registered with the relevant government authority for the public record. These registered documents are stored in land registration systems and are also available to be searched for various land-related information.

In Ontario, the majority of registrations are comprised of:

- Transfers — For purchase and sale transactions in the ordinary course and also upon events such as death, divorce or power of sale
- Mortgages/Charges — For purchase financing, refinancing of existing mortgages, or for equity backed lines of credit
- Discharges — For cancellation of mortgages upon sale transactions, refinancing (in the case of a new lender or increase in mortgaged amount) or at maturity

A purchase and sale transaction typically involves at least one search as well as three distinct registrations: the registration of the transfer of real property, the discharge of an existing mortgage/charge, and the registration of a new mortgage/charge; although not every purchase and sale transaction of real property necessarily involves the latter two registrations.

Governments are typically the keepers of registered documents and manage much of this information. Documents and plans were historically and exclusively maintained in paper or microfilm form at government operated offices. This is still the case in many jurisdictions. Physical record keeping requires that such documents be manually organized, indexed and stored. In order to conduct searches with respect to a particular property where physical record keeping is still in practice, in-person attendance at the government operated office for the district in which such property is

located is necessary so that relevant documents can be requested and physically examined. Accordingly, registration and searching activities can be time consuming, labour intensive and therefore costly for the parties conducting searches and registrations, and for governments that are required to staff and maintain LROs to facilitate such activities. As proactive governments seek to improve customer service and increase efficiency and records integrity, service providers have emerged for the automation or recording of such documents to enable remote electronic access to these documents, and more recently, for the management of these electronic databases on an outsourced basis for governments.

In Canada, the approach to the automation of land ownership information and management of the resulting databases is dictated by provincial governments, which control the underlying data. Ontario has been a leader of the land registration automation initiative across Canada, with the other provinces at varying, lesser stages in automating their records and/or providing online registration services.

Ontario has created the most advanced and most broadly implemented form of online land registration and search system in Canada. This system allows participants to search electronically, either onsite at an LRO or remotely, and also create electronic, multi-signature documents online using sophisticated business rules and pre-population of data from the ELRS and in real-time, submit these documents for electronic registration.

British Columbia has implemented electronic filing through BC OnLine, which allows users to submit documents for registration over the Internet. Registrations are not actually completed by the user but rather the user prepares the document off-line, converts the document to an electronic image which is then e-mailed to the government for review and registration by provincial staff at a later time. In British Columbia, this method of filing is not mandatory. BC OnLine also allows users to conduct title and other related searches of that database over the Internet in real-time. Québec and Saskatchewan offer similar filing and search services to British Columbia's, however Québec's filing service is available to notaries only.

In Manitoba, two types of land titles currently exist: paper titles and electronic titles. Subscription based titles search is available with Manitoba Online. The Manitoba land titles system, however, is not yet capable of electronic registration or filing. Similarly, in Alberta, electronic property search capability exists through the province's Spin2 website, but there is no capability for electronic filing or registration. New Brunswick and Nova Scotia manage their land registration data with purchased third party software systems that allow online title searches and applications for first registrations electronically. These provinces are currently introducing electronic land registration and title search progressively on a municipality by municipality basis. Prince Edward Island has electronic search capability but there is no capability for electronic filing or registration. Newfoundland, Northwest Territories, Yukon and Nunavut have no electronic title search or electronic registration available online to the public.

Land Registration in Ontario

The first system of registering interests in land under the *Registry Act* dates from the late 1700s. In this system, registration of title or ownership in real property in Ontario is based on a registry system whereby all land registration documents were grouped, indexed and stored by a central registry office; however, the registry office that accepts such documents does not guarantee the legality of such documents or title to properties. As a result, in order to arrive at a current determination of title to property in the Registry System, land registration documents must be searched to trace the history of prior transactions affecting the property. For determination of title, by law, all such documents registered in the Registry System during the 40 years preceding the date of a search must be examined. This procedure can be time consuming if many documents have been registered during this period and is also prone to error in terms of locating relevant documents and indexing such documents.

In light of the increasing volume of land registration transactions occurring in provincial LROs, concerns arose regarding the efficient management of Ontario's land registration system. In the 1980s, the Province commenced the conversion of properties in the Registry System to the Land Titles System. In contrast to the Registry System, in the Land Titles System, the Province has custody of all original titles, documents and plans and has the legal responsibility for the validity and security of all registered land title information. The Land Titles System therefore guarantees the ownership of title to and interest in property. Since this record is updated each time a land registration document is registered, a search of the current register is all that is required in order to ascertain title. While the majority of parcels are now in the Land Titles System as a result of Teranet's implementation work, some parcels still exist in the Registry System in certain districts in Ontario.

Further consideration of land registration reform resulted in the establishment by the Province in 1980 of POLARIS, an electronic database that was developed for the purposes of, among other things, automating and converting the Province's land registration system for electronic use and developing and implementing a property mapping system. POLARIS is now the principal database component of the ELRS.

The ELRS is the repository for and means of access to the electronic database containing title and mapping information relating to real property in Ontario. The ELRS provides access to the POLARIS database and the Writs System database.

Automation and Conversion of Ontario's Parcel Base

During the late 1980s, the Province commenced efforts to seek a private sector partner to assist in continuing the implementation of POLARIS with a view to creating an Ontario-based land registration information services industry capable of developing proprietary electronic technology and exporting its expertise. These efforts resulted in the selection of Teramira (formerly Real/Data Ontario Inc.) as the Province's exclusive partner in 1991. Following this selection, Teranet was incorporated and the Province and Teramira together owned all of the shares of Teranet. Teranet then assumed certain financial and contractual responsibilities from MGCS for the implementation and operation of POLARIS, including the automation of the overall land registration system

and the conversion of parcels and related documents registered within the Registry System to the Land Titles System. See "Agreements with the Province".

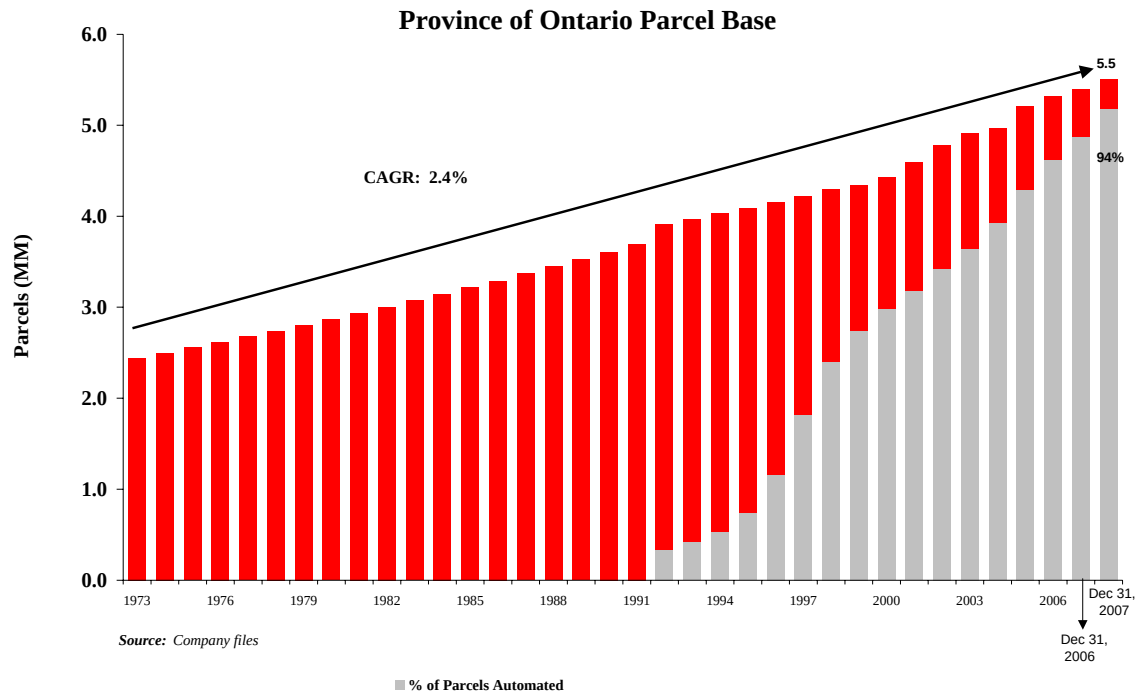
Implementation involves both automating and converting parcels of land in Ontario. Automation consists of entering information contained in paper records into the POLARIS database and indexing such information in electronic form. Conversion refers to the legal conversion of property in the Registry System to the Land Titles System. Property in the Registry System is parcelized, or grouped into units of land called "parcels", and converted by Teranet prior to automation.

As at December 31, 2007, approximately 5.2 million parcels were automated and/or converted, representing approximately 94% of Ontario's current estimated total parcel base of 5.5 million parcels. In addition to those parcels automated and converted by Teranet between 1991 and March 31, 2002, Teranet implemented approximately 1.2 million parcels under the Implementation Plan between April 1, 2002 and December 31, 2006. Prior to December 31, 2006, Teranet completed the Implementation Plan ahead of schedule and under budget. Teranet is continuing automation and conversion under the terms of the Supplemental Plan. Pursuant to an amendment to the Implementation Agreement, after completion of the Implementation Plan and the Supplemental Plan, which collectively require Teranet to spend no more than \$215 million, Teranet will continue under the Continuation Plan to work on implementing the remaining parcels in Ontario with the goal to complete full implementation virtually province-wide, subject to a maximum additional expenditure of \$90 million for such work.

Growth in Ontario Parcel Base

A unique PIN is assigned to each automated parcel in Ontario. All documents registered are referenced to the PINs representing the relevant properties that such documents affect. Registration activity in Ontario is expected to grow with the organic growth in the number of properties in the Ontario parcel base. The number of properties has increased due to the increase in new condominium developments and residential subdivisions. The property on which a condominium project is constructed will generally have one PIN (assuming the project is on one parcel). Upon completion of the condominium project, however, a separate PIN is created and assigned to each condominium unit (and a separate PIN is often created and assigned to each parking space and each storage locker) within the project. As a result, each new individual PIN created for a condominium project (dwelling unit, parking space and storage locker) is subject to searches and electronic registrations under the ELRS and the Writs System.

Ontario's estimated overall parcel base has grown at a CAGR of 2.4% since 1973. Ontario's population, in turn, has grown at a CAGR of 1.3% over the same time period. The following chart illustrates the total estimated number of land parcels in Ontario from 1973 to 2007 and the relative percentage of parcels automated:



Source: Teranet files (figures are for the years ended March 31, unless otherwise noted).

Real Estate and Refinancing Activity in Ontario

Annual registration volumes in Ontario are significantly affected by the level of land-related transaction activity for, among other things, the purchase and sale of residential and commercial real estate, mortgaging and refinancing of property (and discharging of such mortgages), the development of property such as new condominiums and residential subdivisions, and the establishment and maintenance of rights of way for utilities and infrastructure.

Registrations and searches in respect of real estate related activities such as the purchase and sale of existing properties, as well as for first time mortgages obtained to finance such transfers, are influenced by the state of the real estate market and interest rate levels. In recent years, buying activity has been affected by a low interest rate environment, strong consumer confidence, and lower unemployment rates.

Refinancings generally follow a schedule based on the term of a mortgage (which typically varies from six months to five years) and occur on a regular basis, due in part to prepayment penalties that are typical of mortgages granted in Canada. However, financial institutions typically only require registrations for refinanced mortgages where either the original mortgage has been renewed for a higher amount or where it has been cancelled and replaced by a mortgage from another institution. Registrations for mortgage backed credit and non-monetary transfers between parties are also unrelated to real estate purchase and sale activity.

Land-Related Transaction Activity in Ontario

Registrations

Registrations are completed in one of two ways in Ontario: manually, or electronically through Teranet's *Teraview* software:

Manual — Registrations that are completed with respect to non-automated parcels in person at the LROs, or for document types that are not available for registration in the electronic system, or parcels that are automated but cannot or will not be converted to the Land Titles System.

Electronic — (for automated parcels):

Onsite at LROs — Electronic registrations through clerks or terminals using the *Teraview e-reg* application at LROs

Remote — Electronic registrations that are completed remotely through the *Teraview e-reg* application

Electronic registration represents the most significant initiative for improving the delivery of services relating to Ontario's land registration system. With electronic registration, instruments such as transfers, charges and discharges are prepared, "executed" with an electronic signature, electronically registered and entered into the ELRS using an Internet ready computer and specialized software so that attendance at an LRO to register instruments relating to real property is usually not necessary. Teranet's *Teraview* software is currently the only authorized software available that permits users, via its *e-reg* application, to electronically register documents either remotely or onsite at an LRO in accordance with applicable legislation.

Electronic registration is now widely available in Ontario. During the 12 months ended December 31, 2007, approximately 96.2% of the approximately 2.0 million registrations conducted in Ontario were performed electronically, either onsite or remotely. See "Business of Teranet — Products and Services — *e-reg*". The first electronic registration occurred on January 25, 1999 and as at December 31, 2007, approximately 9.5 million electronic registrations using the *Teraview e-reg* application were completed. Enabled by a combination of provincial statutes, regulations and a contractually binding schedule, electronic registration has been introduced on a county-by-county LRO basis as automation and conversion are completed for each county. Electronic registration is first introduced on an optional basis. This provides users with a transition period during which they can obtain proper technology and training. As at December 31, 2007, of the 54 LROs across Ontario, 51 LROs had electronic registration capability. See "Business of Teranet — Automation and Conversion Status".

Parcel Base and Registration Activity

A key performance indicator reflecting registration activity is the registration activity rate, which is the average number of registrations per parcel per year. Based on historical real estate activity data provided by the Province and parcel estimates prepared by Teranet, Ontario's registration activity rate has historically experienced certain cyclical fluctuations arising from changes in overall real estate activity in Ontario. Teranet estimates that Ontario's registration activity rate averaged .400 between 1973 and December 31, 2007.

ELRS Searches

Electronic searches of specific parcels in the ELRS are typically undertaken for the purpose of reviewing and confirming title and ownership to property parcels, verifying assets and liens, retrieving mortgage details, identifying property owners, uncovering rights of way and easements or encroachments registered against the property. Such searches are primarily conducted by purchasers leading up to and at the time of the completion of the purchase and sale of real property, as well as by financial institutions and other mortgage lenders up to and at the time of the completion of mortgage financings or refinancings. Teranet estimates that the ratio of automated search activity, which reflects the number of automated searches per automated parcel per year, compared to automated registration activity, which reflects the number of automated registrations per automated parcel per year, was approximately 1.24:1 over the period from April 1, 1996 to December 31, 2007.

Ontario Writs System

Writs of execution and certificates of lien are issued under the authority of various Ontario provincial statutes. Such instruments are filed with a provincial enforcement office and create a financial liability on the property owned by the party against whom the Writ is issued, including any real property owned by such party. This liability is effective only on property located in the local enforcement jurisdiction in which a Writ is filed. It is necessary to search for Writs in connection with legal transactions involving real property, such as a development, purchase or mortgage of land or other financing involving land, in order to ascertain whether there are any Writs filed against a party which has an interest in the property.

Similar to the land registration system in Ontario, Writs were historically filed and maintained exclusively in paper form. Searches for the existence of Writs issued against a party could only be conducted by attending at the LRO and reviewing relevant Writs at the enforcement office in each jurisdiction in which property was believed to be owned by such party. As Writ searching became increasingly time-consuming, labour intensive and a drain on government resources, the Province, in the 1990s, created the Writs System to provide a means of maintaining and searching for Writs electronically. Building on its experience with electronic land registration in Ontario, Teranet was able to adapt its systems and applications to create the current Writs System through harmonizing, on an electronic basis, the separate Writs systems with the records maintained in both the enforcement office and LRO. Today, local searches of the Writs System can be performed at any enforcement office of MAG by MAG staff with respect

to Writs filed in that jurisdiction, at any LRO through Teranet's *ROSCO* terminals or remotely through *Teraview* with respect to Writs filed both in that jurisdiction and other enforcement jurisdictions. Users can also perform searches of the Writs System by enforcement office and province-wide and can issue and file Writs electronically through Teranet's *BAR-eX* website.

AGREEMENTS WITH THE PROVINCE

Teranet has had a strong working relationship with MGCS which relationship has had the support and commitment of three successive provincial parties in power since the late 1980s. The Province was a 50% equity interest holder of Teranet until August 5, 2003, and notwithstanding the divestiture of such ownership, the Province maintains its status as Teranet's key contractual relationship having significant operational and governance approval rights. Relationships established in delivering the services under the various legal agreements are governed by extensive governance policies and procedures.

License Agreement

As described under "License" below, Teranet has the exclusive right to access the data in and operate the ELRS, and create and market value added products and services in connection with the ELRS, during the ELRS Exclusive Term. These and other rights were granted to Teranet pursuant to a license agreement entered into between Teranet and MGCS on May 29, 1991, as amended on December 8, 1993 and in December 1996, as amended and restated on March 14, 2002 and further amended on August 5, 2003 and May 8, 2006 (May 8, 2006 amendment is described below).

Assignment

In 1991, MGCS transferred to Teranet ownership of the original POLARIS, including all software and hardware required to operate POLARIS, licenses with third parties relating to POLARIS and the trademark associated with POLARIS, but excluding original land registration documents, the information contained in these documents and survey and parcel mapping data. The License Agreement affirms Teranet's ownership of all aspects of the ELRS and affirms the Province's ownership of original land registration documents, the information contained in these documents and survey and parcel mapping data, as well as the data contained in the ELRS.

License

MGCS granted Teranet the exclusive, non-transferable, worldwide right, during the ELRS Exclusive Term, to access data in the ELRS to: (i) provide Basic Service (which is the Basic Public Service and the LRO applications that are used for filing, registering, depositing, recording, loading, storing and retrieving land registration data and compiling, recording, storing and retrieving mapping data in accordance with the land registration statutes, and which provide the functionality to operate, manage, maintain and deliver the Basic Public Service, all as more particularly described in the License Agreement, which is the functionality required by MGCS and *Teraview* users to access land registration data and carry out basic functions such as search and

registration) and Premium Service (which is the ELRS functionality, product or service developed and offered by Teranet to enhance, but not replace, Basic Service); (ii) copy data in the ELRS and modify any such copy; and (iii) prepare, reproduce and distribute value added products and services which access and use such data. Teranet has the right to sublicense certain of its rights under the License Agreement on a non-exclusive basis.

MGCS granted to Teranet, effective upon the expiration of the ELRS Exclusive Term if the exclusive license is not renewed, a non-exclusive, non-transferable, perpetual, worldwide right to access data in the ELRS to: (i) provide the Basic Public Service (which are those parts of the Basic Service which are available to the public (onsite and remotely) and which includes basic electronic search and registration services provided for under statute, all as more particularly described in the License Agreement) and Premium Service; (ii) copy data in the ELRS and modify any such copy; and (iii) prepare, reproduce and distribute value added products and services which access and use such data. In furtherance of this, MGCS, which retains the ownership of all land registration and mapping data, has agreed that it will continue to update the data and provide online or equivalent access to such updated data to Teranet.

MGCS has the right to determine if it wishes to renew Teranet's exclusive rights upon the expiry of the ELRS Exclusive Term or establish a competitive marketplace for the provision of electronic land registration services to the public. The License Agreement sets out a process and timing for such determination. To the extent such exclusive licenses are not renewed, Teranet will be able to continue to access the data in the ELRS and provide Basic Public Service and Premium Service as well as continue to create and market value added products and services, on a non-exclusive non-transferable perpetual basis as described above, regardless of the Province's decision regarding exclusivity.

Any royalties payable to the Province by Teranet after the ELRS Exclusive Term for the right to provide specified services and value added products and services may not exceed the royalties payable by any third party for the same rights. Therefore, no third party can reduce Teranet's share of the market for *Teraview* and its other products and services and value added products and services on price competition alone based on a more favourable royalty rate from the Province.

In order to ensure continuity of service of the ELRS, Teranet agreed to provide assistance in transferring operation and control of relevant components of the ELRS to MGCS in the case of a Terminating Event, as described below under "Termination of the License Agreement and the Implementation Agreement" or if Teranet does not operate the systems which house the ELRS data (hub) or provide the Basic Service after the end of the ELRS Exclusive Term. Teranet and MGCS have developed a Termination Transition Plan, which is reviewed and revised periodically. Transition Plans for the hub and the Basic Service will be developed prior to the end of the ELRS Exclusive Term, if required. Each plan sets out, or will set out, the responsibilities of each party, the transition schedule and the fees to be paid to Teranet for transition services.

Fees

Statutory fees payable under applicable legislation, including registration and search fees, are set by MGCS. The fee for the registration of documents is \$70 per registration in jurisdictions where electronic registration is possible or \$60 in areas where electronic registration is not yet available. Generally, the fee for remote searching of an automated property is \$18 for a search in a key LRO (as designated individually by a *Teraview* account holder, a "Key Registry Office") and \$28 for a search in a non-key LRO (as designated individually by a *Teraview* account holder, a "Non-Key Registry Office"). Account holders have the option of paying an annual subscription fee of \$300 per LRO to search such office(s) at the lower fee level applicable to their Key Registry Office. These transaction and subscription fees are in addition to minimal licensing fees for use of the *Teraview* software.

Fees for services within the Basic Service that are not controlled by statute are set by the mutual agreement of Teranet and the Province. Teranet sets all other fees with respect to Premium Service, value added products and all other products and services. The License Agreement provides that MGCS shall compensate Teranet in the event that MGCS implements changes in applicable legislation or any policy or procedure of MGCS thereunder that results in a material adverse impact on Teranet. If Teranet and MGCS are unable to agree on the form of such compensation, such dispute is to be referred to arbitration.

During the ELRS Exclusive Term, Teranet is entitled to receive and accrue as revenue of Teranet all fees collected from the operation of the ELRS, including registration and search fees, other than any statutory levies, charges or increased fees under land registration statutes that are in addition to those currently collected and retained by Teranet, as set out in the amendment to the License Agreement. Pursuant to such amendment to the License Agreement, Teranet has agreed to collect any such additional statutory levies, charges and increased fees and remit them to MGCS or as MGCS may direct net of reasonable costs and expenses of Teranet incurred in respect of the collection of such additional statutory levies, charges and increased fees. Teranet is entitled to receive all revenue generated and collected from value added products owned and services provided by Teranet and any royalties charged to sub-licensees for revenue generated and collected from value added products and services. Value added products and services are products and services which access or use the ELRS, or the data contained in the ELRS, and which are not required to be performed or offered by MGCS in the exercise of its authority under land registration legislation or are not required to be used by MGCS in the performance of its responsibilities thereunder. MGCS is at all times entitled to collect and retain revenues collected from the operation of the manual system for filing, registering, depositing, recording, storing and retrieving information contained in land registration documents (i.e., revenue not derived from activities in the ELRS).

After the ELRS Exclusive Term, MGCS and Teranet are to agree on an appropriate method of the allocation and collection of fees, failing which they are to refer any disputes in this regard to arbitration.

In 1996, Teranet and MGCS agreed, as an interim step to conversion, that some properties would be parcelized and automated into Parcel Day Forward Register (PDFR) properties, it being the intention of the parties that conversion of these PDFR properties to the Land Titles System would occur at a later date. While these properties remain in the Registry System, approximately 43,780 PDFR properties are available for searching under the ELRS. Teranet is currently converting such PDFR parcels to land titles. Teranet receives half of the revenue it would otherwise receive under the License Agreement, for searches and registrations conducted in respect of PDFR properties, since conversion has not been completed.

Royalties

There is no further royalty payable to MGCS up to and including March 31, 2017. After the ELRS Exclusive Term, Teranet is to pay MGCS an appropriate royalty for either or both the non-exclusive, non-transferable, perpetual license granted to it after the ELRS Exclusive Term and/or the exclusive, non-transferable license granted to it, if renewed by MGCS in accordance with the License Agreement. Such royalties will be negotiated by Teranet and MGCS; provided that the royalties payable by Teranet with respect to any non-exclusive rights will not exceed those paid by third parties for the same rights. In the event that the parties fail to agree on an appropriate royalty, the matter shall be referred to arbitration.

Prior to March 1, 2003, Teranet paid MGCS a royalty equal to 25% of ELRS registration revenue, plus 5% of: (i) income ancillary to the registration and search functions of an LRO (both onsite and remote), excluding search fees; (ii) remote access fees with respect to registrations and searches; (iii) subscription fees charged with respect to remote access; and (iv) revenue from value added products and services; in each case as received by Teranet.

Implementation Agreement

Concurrent with the entering into of the License Agreement, Teranet entered into an implementation and operation agreement with MGCS, which agreement was subsequently amended on December 8, 1993 and January 29, 1998, amended and restated on March 14, 2002 and further amended on August 5, 2003. The Implementation Agreement was further amended on May 8, 2006 (as described below). The Implementation Agreement provides that Teranet is to implement the parcels of land in Ontario and carry on other activities in connection with this implementation, operate the ELRS and provide the Basic Public Service to the public. In order to permit Teranet to carry on these and other activities, MGCS transferred ownership of the original POLARIS (except for original land registration documents and the information contained in these documents and survey and parcel mapping data) to Teranet, including all software and hardware required to operate POLARIS. These terms and conditions now apply to the ELRS.

Operations Standards

- *Data Verification and Quality Control.* Teranet is required to maintain appropriate verification and quality control procedures and tests to ensure

that the information contained in and added to the ELRS is complete and accurate and complies with all applicable statutes and regulations in effect from time to time.

- *Operation of the ELRS.* Teranet is responsible for the operation of the ELRS. In particular, Teranet is responsible for the operation, and for maintaining the integrity, of the ELRS and for maintaining the software used in connection with the ELRS in accordance with the performance standards set out in the Implementation Agreement. Teranet has detailed procedures that it follows to ensure both data and software are backed-up at frequent and regular intervals and are stored off-site and copies of certain information are provided to MGCS. The performance standards set out in the Implementation Agreement require monthly online availability to critical components of the ELRS to be equal to or greater than 99.5%. Availability of non-critical components must be equal to or greater than 95% within a calendar month. In the 12 months ended December 31, 2007, online availability to the ELRS averaged approximately 99.98% overall in such 12 month period. In addition, Teranet maintained an average yearly online availability rate of approximately 99.94% over the three years ended December 31, 2007.
- *Disaster Recovery Plan.* Although Teranet has responsibility for the operation of the ELRS, it remains the statutory responsibility of MGCS to ensure the integrity and the continued uninterrupted operation of the Province's land registration system. Teranet has prepared a disaster recovery plan which sets out the steps to be taken upon the occurrence of any event or circumstance, that causes the ELRS to be rendered unusable by MGCS or the public for more than one business day (an "ELRS disaster"). Such plan also requires Teranet to either maintain its own back-up site separate from its primary central processing site or to enter into an agreement with a third party and MGCS for the provision of such back-up services. Teranet has developed disaster recovery plans for the ELRS, Teraview and the Writs System. These plans are reviewed and tested by MGCS on an annual basis and by MAG as required. Teranet continuously updates these plans to reflect the most recent environment configurations and procedures, to effect the switch to the alternate data centre site or to an alternate environment depending upon the nature of the disaster. Teranet maintains two data centres: one in Markham, Ontario and the other in Mississauga, Ontario. Teraview processes are load-balanced across these two data centres. Sufficient capacity has been installed at both sites to permit handling of projected loads independent of the capacity at the other data centre. A third party maintains the primary site for the POLARIS application at their data processing facility in Markham, Ontario, with a third party back-up site in Mississauga, Ontario. In case of a disaster, the third party Mississauga back-up site will be configured to duplicate the environment at the third party's Markham site. Teranet maintains dedicated high-speed communication links to the third

party's primary and back-up sites from both the Teranet data centres. Forthwith upon a declaration of an ELRS disaster by Teranet and notification thereof to MGCS or upon notification by MGCS of the occurrence of an ELRS disaster, Teranet, at its own expense, is required to cause the recovery procedures set out in its disaster recovery plan to be commenced and to take all steps required to restore the ELRS to operability within the time periods specified in such plan. In the event that Teranet fails to commence recovery within one business day of providing MGCS with or receiving from MGCS notice of an ELRS disaster, MGCS may take over from Teranet the operation and control of the ELRS for all LROs affected by the ELRS disaster during the period of such ELRS disaster. While Teranet is initiating its disaster recovery plan, MGCS will be responsible for maintaining an interim record of land registration documents in manual form. Following an ELRS disaster, MGCS will create any land registration records required as a result of the receipt or recording of any land registration documents during the period of the ELRS disaster and will perform all other entries to the ELRS required as a result of operation of LROs during such ELRS disaster. If the duration of an ELRS disaster is 24 hours or longer, Teranet must reimburse MGCS for all expenses reasonably incurred by MGCS to input such data, unless the ELRS disaster is caused by the wilful act or omission or the gross negligence of MGCS.

Amendments

Teranet and MGCS have made certain amendments to the Implementation Agreement and the License Agreement, as described below, which amendments deal with, among other things, the following:

Amendments to Implementation Agreement

Continuation Plan

Teranet and MGCS have developed a plan to continue the automation and conversion of virtually all parcels in Ontario. After completion of the Implementation Plan and the Supplemental Plan, Teranet will continue under the Continuation Plan to work on implementing the remaining parcels in Ontario with the goal of completing full implementation virtually province-wide, subject to a maximum expenditure of \$90 million for such work. In order to fund the Continuation Plan, the Province paid \$35 million to Teranet upon completion of the IPO in order to fund services to be rendered by Teranet, which funds are being held in a separate and segregated account with other MGCS provided funds, and the balance will be funded out of the Credit Facilities or cash from operations. Teranet and MGCS have also agreed upon a detailed gain sharing formula should the actual cost of the remaining work be less than agreed amounts.

Enhanced Ministry System Development Fund

Teranet and MGCS have agreed that Teranet will set aside a fund (the Enhanced Ministry System Development Fund) which MGCS may use to pay for system changes

or other expenditures it requires in its sole discretion, provided it has no adverse effect on Teranet's rights or obligations. The types of system changes that are eligible for funding from the Enhanced Ministry System Development Fund are set out in a schedule to the Implementation Agreement. The amount of funds that may be expended from the Enhanced Ministry System Development Fund is up to \$2.4 million annually for the balance of the ELRS Exclusive Term. Any portion of the Enhanced Ministry System Development Fund not expended in a fiscal year shall be carried forward to the next fiscal year and in the three years prior to the end of the ELRS Exclusive Term, MGCS will have greater flexibility in directing the expenditures between system changes and other allowed expenditures. MGCS and Teranet will develop rolling three year strategic plans to manage expenditures of such fund. The Province paid \$16 million to Teranet upon completion of the IPO in order to fund the Enhanced Ministry System Development Fund for services to be rendered by Teranet, which funds are being held in a separate and segregated account with other MGCS provided funds, with any additional required funding to come from the Credit Facilities or cash from operations.

ELRS Re-Engineering Project P1V1

MGCS and Teranet have agreed upon detailed requirements, a project plan, mutually agreeable deliverables and milestone dates for the ELRS Re-Engineering Project P1V1, which is the updating of the original POLARIS application (which is back-end to the ELRS) to a more modern and flexible technology platform.

Teranet and MGCS have agreed on a budget and joint project management approach for the full completion (including, but not limited to, development, testing, migration and transition) of the ELRS Re-Engineering Project P1V1 to be expended over a three to four year period. The parties have agreed to a joint project budget. The parties will meet to review the project at \$1.0 million milestones if and when a forecast indicates project costs will exceed \$8.3 million and the funding of the project will be contributed by each party on a mutually agreed basis. While the project is not expected to exceed \$9.3 million in costs, spending will only exceed \$11.3 million upon mutual consent. The Province paid \$3.0 million to Teranet upon completion of the IPO, which funds are being held in a separate and segregated account with other MGCS provided funds in order to fund a portion of the Province's potential funding obligations in respect of these services to be rendered by Teranet, and the balance of Teranet's funding will be from the Credit Facilities or cash from operations. In the event the ELRS project is completed for a cost of less than \$9.8 million or is terminated for any reason, the remaining monies in the account are to be refunded to MGCS. Any additional funds required from MGCS to fund the project will be drawn from the Enhanced Ministry System Development Fund (described above).

Mandatory Technology Investment

During the ELRS Exclusive Term, Teranet has agreed to make or incur Technology Investment of no less than \$10.0 million in each fiscal year with the first full \$10 million commitment commencing with the 2007 fiscal year. Teranet shall, annually, provide MGCS with a Teranet Board of Directors approved budget relating to Technology Investment. Teranet shall notify MGCS of any variance in the approved

budget in excess of \$1.0 million. Technology Investment means any expenditure to be capitalized or expensed by Teranet in connection with the acquisition, construction or improvement of any technology and systems development by Teranet in its core business as conducted on January 1, 2006. For greater clarity, this shall include hardware and software, but exclude equipment and technology and systems development expenditures arising out of the implementation of changes required by the MGCS and implemented by Teranet in accordance with the Enhanced Ministry System Development Fund and Ministry System Development Funds as described in the Implementation Agreement. This commitment level is currently being met by Teranet in its existing expenditures for these items.

Amendment to the License Agreement

During the ELRS Exclusive Term, Teranet is entitled to receive and accrue as revenue of Teranet all fees collected from the operation of the ELRS, including registration and search fees, other than any statutory levies, charges or increased fees under land registration statutes that are in addition to those currently collected and retained by Teranet, as set out in the amendment to the License Agreement. Pursuant to such amendment to the License Agreement, Teranet has agreed to collect any such additional statutory levies, charges and increased fees and remit them to MGCS or as MGCS may direct net of reasonable costs and expenses of Teranet incurred in respect of the collection of such additional statutory levies, charges and increased fees.

Memorandum of Agreement; Security in favour of the Province

Pursuant to an agreement between Teranet and MGCS (the "Province Security Agreement"), MGCS has been granted a security interest (the "Province Security Interest") by Teranet in respect of the ELRS Assets (as defined in the Implementation Agreement), enforceable upon the occurrence of an Insolvency Event (as defined in the Implementation Agreement). The Province Security Agreement secures Teranet's performance and payment obligations under the Implementation Agreement and the License Agreement. The Province's secured claim for any payment obligation will be limited to an aggregate, without duplication, of: (i) the amount equal to any re-imbursement obligations of Teranet with respect to the Continuation Plan and the ELRS Re-Engineering Project P1V1 up to a maximum amount of the lesser of (x) \$54 million and (y) the maximum amount that MGCS could become entitled to after such time in respect of such re-imbursement obligations pursuant to the Implementation Agreement; and (ii) all commercially reasonable expenses incurred from time to time by MGCS, or a receiver appointed by it, in the perfection or preservation of the Province Security Interest, in enforcing payment or performance of the obligations under the Implementation Agreement, the License Agreement and the Province Security Agreement, as such obligations existed immediately prior to MGCS exercising its rights under the Province Security Agreement or in exercising any of its rights or remedies under the Province Security Agreement. The Province Security Interest is subordinated to the security interest of the trustee under the Amended Indenture and to holders from time to time of Liens to secure Purchase Money Obligations (as defined in the Amended Indenture). The Province Security Agreement and any entitlement of the Province to a security interest will terminate at the end of the ELRS Exclusive Term.

Termination of the License Agreement and the Implementation Agreement

MGCS is entitled to separately give notice of termination of the License Agreement and/or the Implementation Agreement if certain clearly defined Terminating Events (defined below) occur. Teranet has the right to dispute whether a Terminating Event has occurred. Disputes over whether a Terminating Event has occurred, giving rise to a right to terminate, will be referred to a mutually agreed arbitrator with appropriate legal or technical expertise. If Teranet is not performing operation obligations, MGCS will be entitled to access the system until the arbitration process is concluded.

The occurrence of any of the following events ("Terminating Events") provide MGCS with the right to give notice of termination of the License Agreement and/or the Implementation Agreement:

- (i) Teranet fails to meet agreed performance standards in operation of the ELRS and does not submit a remedial plan concerning the performance failure; Teranet fails to remedy the performance failure in accordance with an approved remedial plan; or Teranet's performance failure is persistent regardless of whether a remedial plan has been submitted or approved (each being a "performance default");
- (ii) an insolvency event for which the receivership period, if any, has expired or terminated occurs;
- (iii) Teranet is wound up and its successor does not agree to assume the obligations of Teranet under the License Agreement or the Implementation Agreement; or
- (iv) Teranet assigns the License Agreement or the Implementation Agreement (except as allowed in either agreement) or transfers or encumbers the ELRS assets in breach of the covenants of the Implementation Agreement.

MGCS must specify in the notice whether it wishes to terminate the License Agreement and/or the Implementation Agreement. Teranet may, within five business days following receipt of the notice, give notice to MGCS disputing MGCS's right to terminate the License Agreement and/or the Implementation Agreement. Upon the delivery of a dispute notice, the matter shall be referred to binding arbitration. In the event of a performance default that goes to arbitration, both Teranet and MGCS are entitled to seek compensation as described below.

Where termination occurs, MGCS may claim fair and equitable compensation for its damages arising from termination of the License Agreement and/or the Implementation Agreement. Teranet may claim fair and equitable compensation for its investment in the implementation and operation of the ELRS and, if the License Agreement is terminated, for its interest in the rights granted under that agreement. If the arbitrator determines that no Terminating Event has occurred and MGCS has taken possession of the ELRS assets, Teranet may claim compensation for damages caused by those actions, including compensation for fair market value of components of the

ELRS assets that cannot, in the opinion of the arbitrator, reasonably be returned to Teranet.

If Teranet does not dispute the termination of either agreement or if the arbitrator finds in favour of MGCS: (i) such agreement(s) as is (are) specified in the notice shall terminate effective on the date specified in the notice if not disputed or on the date determined by the arbitrator; (ii) each of MGCS and Teranet may seek compensation; (iii) MGCS is entitled to access the ELRS assets (and would not be required to compensate Teranet for access to the ELRS assets or the license required to meet MGCS's statutory obligations) and Teranet is required to provide transition assistance; and (iv) if MGCS wishes to obtain rights to components of the ELRS other than the ELRS assets, it is required to pay Teranet fair value for the rights to such components. The general principle of compensation is that neither party should be unjustly enriched nor unfairly penalized as a result of termination, having regard to the nature of the agreements and the obligations of the parties.

If MGCS or Teranet does not agree with the other party's right to claim compensation, or if MGCS and Teranet cannot agree on the amount of such compensation, the matter will be referred to an arbitrator under the agreed dispute resolution process (final offer selection). The right to compensation is in addition to any other rights and remedies each party may have.

The Implementation Agreement will also terminate upon the expiry of the ELRS Exclusive Term under the License Agreement unless MGCS and Teranet agree to extend the term of the operation of the ELRS by Teranet.

Force Majeure

Neither Teranet nor MGCS will be in breach of the Implementation Agreement or the License Agreement to the extent that, and for such period of time as, such party is prevented from performing its obligations under such agreement due to any cause outside its control, including without limitation, acts of God, fires, strikes, lock-out, natural disasters, wars, riots, insurrections or any law or regulation (other than land registration statutes and regulations), but expressly excluding lack of financial resources by the performing party. In these circumstances, the performing party must provide notice to the other party and use its commercially reasonable efforts to perform its obligations in a timely manner, utilizing all resources reasonably required in the circumstances.

Writs Agreements

As described under "License" below, pursuant to the Writs Agreements, Teranet has the exclusive right to install, access and operate the Writs System, and create and market value added products and services in connection with the Writs System, during the Writs Exclusive Term (and any subsequent transition period as determined under the Writs Agreements).

Assignment

In 1997, MAG assigned to Teranet all of its right, title and interest in and to the Writs System (except original Writs documents and records and the information contained in such documents and records and in the Writs database) and third party licenses granted by MAG for the use of or access to the Writs System or required for the use or distribution of the Writs System.

License

MAG granted Teranet the worldwide, exclusive right during the Writs Exclusive Term (and any subsequent transition period as determined under the Writs Agreements) to install, access and operate the Writs System, and provide services and develop products in connection therewith, including the right to do the following: (i) provide onsite access to the Writs data contained in the Writs documents and records and in the Writs database; (ii) copy such data and modify any such copy; (iii) except as provided in the Writs License Agreement, prepare, reproduce and distribute value added products and services which access and use such data; and (iv) except as provided in the Writs License Agreement, provide remote access to such data.

MAG granted to Teranet, for a 50-year term commencing on June 18, 1997, a non-exclusive worldwide right to provide services and develop products in connection with the Writs System, including the right to do the following: (i) for value added products and services purposes, copy data contained in the Writs database and to modify such copy; (ii) prepare, reproduce and distribute value added products and services which access and use such data; and (iii) provide remote access to such data. In furtherance thereof, MAG agreed to provide or permit Teranet to have online access to updated Writs data.

Upon the expiry of the Writs Exclusive Term, MAG and Teranet may elect to renew one or more of Teranet's exclusive licenses. In the event that the exclusive license to provide onsite access to Writs data is not renewed, Teranet must transfer operation and control of a version (but not necessarily the functionality of the then-current version) of the Writs System to MAG. Such version of the Writs System would enable MAG to manage the Writs database and provide basic access to the Writs data but would not contain all of the then current applications and features for electronic searching and no applications for electronic filing of Writs. Whether or not the exclusive license to provide onsite access to the Writs data is renewed, and whether or not Teranet's other exclusive licenses are renewed, Teranet will be able to continue providing remote access to Writs data to the public as well as other value added products and services, on a non-exclusive basis to June 18, 2047. In order for the Province or a third party to provide products and services that are the same as or similar to the products and services provided by Teranet on a non-exclusive basis at the end of the Writs Exclusive Term, they must develop their own applications. Any royalties payable to the Province by Teranet after the Writs Exclusive Term for the right to provide specified services and value added products may not exceed the royalties payable by any third party for the same rights.

Fees

Pursuant to various statutes and regulations, the Province has the authority to set fees in connection with the Writs System, including fees for searching, copying and certifying information relating to Writs maintained in the Writs System. Currently, the statutory fee for searching a name in one of the 49 jurisdictional databases on the Writs System is \$11 for both key enforcement offices (as designated by a *Teraview* account holder, "Key Enforcement Offices") and non-key enforcement offices (as designated by a *Teraview* account holder, "Non-Key Enforcement Offices"). The fee for obtaining the details of a Writs Detail Report is currently \$6 (up to a maximum of \$60 for each name searched). The fee for searching Non-Key Enforcement Offices includes, in addition to the statutory fee of \$11, a non-statutory fee of \$3. Account holders have the option of paying an annual subscription fee of \$60 per enforcement office to search such office(s) at the lower fee level applicable to their Key Enforcement Office. ROSCO users' Key Enforcement Office is the jurisdiction in which the kiosk is located. The Writs License Agreement provides that Teranet or MAG is entitled to receive search fees, abstract fees, copy fees, value added products fees and other fees, depending on whether Writs services are delivered off site, onsite at MAG premises or onsite at MGCS premises.

Subject to the License Agreement under which fees for the Basic Service are set by mutual agreement between Teranet and the Province, including fees for Writs search services that are included in the Basic Service, statutory search and filing fees in connection with the Writs System through Teranet are set by the Province; remote access fees in connection with searches of the Writs System through *Teraview* are set by mutual agreement between the Province and Teranet; and fees for new value added products and services and remote access filing fees in connection with the Writs System are set by Teranet. Where Teranet enhances a product or service for which the fees are set by MAG pursuant to the Writs License Agreement, Teranet may charge a fee with respect to such enhanced product or service in addition to the fees set by the Province. Unless otherwise agreed, Teranet may not charge a value added products fee in addition to the search fee set jointly by MAG and Teranet in connection with a remote access search of the Writs System carried out by a user accessing the Writs System in such user's local jurisdiction; however, Teranet may charge such a fee with respect to searches conducted outside of a user's local jurisdiction.

Subject to certain exceptions, MAG will consult with Teranet with respect to changes in legislation, policy and procedures that may have a material adverse effect or impact on the business of Teranet specifically in relation to the Writs Master Agreement. If such legislation is implemented, or if MAG chooses to implement such policies or procedures notwithstanding the material adverse effect that they may have, MAG will compensate Teranet in accordance with the provisions of the Writs Master Agreement.

Royalties

There is no further royalty payable to MAG up to and including March 31, 2017. In the event MAG and Teranet agree to renew one or more of the Writs licenses for a further exclusive term, MAG and Teranet will negotiate the royalty structure in respect thereof. Royalties for non-exclusive rights after the Writs Exclusive Term are subject to

negotiation by Teranet and MAG provided that the royalties payable by Teranet with respect to any continuing rights will not exceed those paid by third parties for the same rights. The calculation will take into account any amounts payable or refundable by MAG to Teranet or the third party.

Prior to April 1, 2003, Teranet was generally required to pay a royalty of 5% to MAG in respect of services for which Teranet received fees.

Operation of the Writs System

Teranet is required to develop, manage and operate the Writs System. Teranet is required to maintain at all times a full back-up copy of the software used in connection with maintaining and operating the Writs System. Such back-up must be stored in an off-site storage location.

Teranet is required to at all times maintain at least two back-up copies of the Writs database and the most current version of the Writs software. At least one back-up copy of the Writs database and of the Writs software must be kept at the premises where the Writs central processing equipment is located and at least one such back-up copy must be stored off-site. Teranet has detailed procedures that it follows to ensure both data and software are backed-up at frequent and regular intervals and stored offsite and copies of certain information are delivered to MAG.

Teranet has recently re-platformed the Writs System, implementing a central database, on a modern web technology environment and all of the MAG enforcement offices are now functioning on the new environment.

Performance Standards

The performance and operation of the Writs System must meet certain performance standards set out in the Writs Operation Agreement, which standards include a minimum file server availability of 95% per calendar quarter. Teranet maintained online availability to the Writs System at approximately 100% on average for the 12 months ended December 31, 2007 and maintained an average yearly online availability rate of approximately 99.91% over the three years ended December 31, 2007.

Disaster Recovery Plan

Teranet has established and maintains a disaster recovery plan which sets out the steps to be taken upon the occurrence of an event or circumstance which causes the Writs System to be rendered unusable during regular business hours (a "Writs disaster"). The Writs application servers are located at each of Teranet's data centres with back-up (disaster recovery) servers provided by load-balanced operation. The database server is located at one of the data centres and the back-up server is located at the other data centre.

Forthwith upon either determination by Teranet as to the existence of a Writs disaster or upon receipt of written notification from MAG of the occurrence of a Writs disaster and confirmation thereof by Teranet in a timely manner, Teranet, at its own

expense, is required to cause the recovery procedures set out in its disaster recovery plan to be commenced and take all steps required to restore the Writs System to operability within the time periods specified in such plan. In the event that Teranet fails to commence recovery within one business day, MAG may cause the recovery procedures to be implemented and take over from Teranet the operation and control of the Writs System for all MAG enforcement offices and all LROs affected by the Writs disaster during the period of such disaster. While Teranet is initiating its disaster recovery plan, MAG may maintain an alternative method of accepting and recording Writs documents and records and searching the Writs database. Following recovery after a Writs disaster, MAG will cause its staff to update the Writs data as required as a result of the receipt or recording of any Writs documents and records during the period of the disaster and will perform all other entries to the Writs System required as a result of the operation of enforcement offices during such disaster. If the duration of a Writs disaster is 24 hours or longer, Teranet must reimburse MAG for all incremental expenses reasonably incurred by MAG to deliver the alternative Writs System service, unless the disaster is caused by the wilful act or omission or the gross negligence of MAG.

Termination

Each of the Writs Operation Agreement and the Writs License Agreement provides that either Teranet or MAG may give a notice of termination to the other party in the event that such other party fails to comply with any of its material obligations under the Writs Operation Agreement or the Writs License Agreement, as the case may be, provided that such failure to comply is not inconsequential having regard to the obligation in question and the relevant Writs Agreement as a whole. Upon receipt of a notice of termination, the defaulting party will have 90 days to cure alleged breaches of material obligations.

Upon termination of the Writs Operation Agreement or the Writs License Agreement or in the event that the exclusive license to provide onsite access to the Writs data is not renewed for a further exclusive term, Teranet will provide all reasonable assistance during a transition period of not greater than 12 months in transferring operation and control of the Writs System to MAG. MAG shall use all reasonable efforts to make alternative arrangements in a timely manner to accomplish the transfer back of the operation and control of a version of the Writs System (as described under "Agreements with the Province — Writs Agreements — License" above) during the transition period. MAG shall compensate Teranet for any costs reasonably incurred by Teranet or for loss of use of Teranet facilities during the transition period. Upon termination of the Writs License Agreement, all licenses granted to Teranet under such agreement will terminate, whether such licenses were for a Writs Exclusive Term or for a non-exclusive term.

Force Majeure

Under the Writs Master Agreement, neither Teranet nor MAG will be in breach of the Writs Master Agreement (which includes the Writs Operation Agreement and Writs License Agreement as schedules thereto) to the extent that, and for such period of time

as, such party is prevented from performing its obligations under such agreement due to any cause outside its control, including without limitation, acts of God, fires, strikes, natural disasters, lightning, wars, riots, insurrections or the effect of any law or regulation, but expressly excluding lack of financial resources by the performing party. In these circumstances, the performing party must provide notice to the other party and use all reasonable efforts to perform its obligations in a timely manner, utilizing all resources reasonably required in the circumstances.

RISK FACTORS

The following are certain factors relating to the business of Teranet and the Fund. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this annual information form. These risks and uncertainties are not the only ones facing Teranet and the Fund. Additional risks and uncertainties not presently known to Teranet or the Fund, or that Teranet or the Fund currently believe to be immaterial, may also apply to the operations of Teranet or the Fund. If any such risks actually occur, the business, results of operations and financial condition of Teranet could be materially adversely affected and the ability of the Fund to make distributions on the Units could be adversely affected.

Risks Related to the Business and the Industry

Termination of Exclusive Licenses under License Agreement and Writs License Agreement

In the event that a Terminating Event occurs under the Implementation Agreement or the License Agreement, MGCS has the right to terminate one of the Implementation Agreement or the License Agreement, or both. Disputes over whether a Terminating Event has occurred, and compensation due if any, will be referred to an arbitrator. Termination of the License Agreement would have a material adverse effect on the business, financial condition and results of operations of Teranet. See "Agreements with the Province — Termination of the License Agreement and the Implementation Agreement".

The Writs License Agreement may be terminated if (i) Teranet fails to comply with any of its material obligations under the Writs License Agreement, provided such failure to comply is not inconsequential having regard to the obligation in question and the Writs License Agreement as a whole; or (ii) if the Writs Operation Agreement is terminated. Termination of the Writs License Agreement will result in the termination of both Teranet's exclusive license, as well as Teranet's non-exclusive, 50 year license, with respect to the Writs System. Termination of the Writs License Agreement would have a material adverse effect on the business, financial condition and results of operations of Teranet. See "Agreements with the Province — Writs Agreement — Termination".

Expiry of Exclusive Terms

Upon the expiry of the ELRS Exclusive Term and the Writs Exclusive Term, if such exclusive licenses are not renewed, Teranet will be able to continue providing certain search and registration products and services to the public as well create and market value added products, regardless of the Province's decision regarding exclusivity. If the Province decides there should be a competitive marketplace, other parties if they are so interested will also be permitted to develop their own proprietary applications to provide similar products and similar services to the public. There can be no assurance that following the expiry of the ELRS Exclusive Term and the Writs Exclusive Term, Teranet will be able to maintain its market share for *Teraview* and its other products and services and value added products. Teranet's inability to maintain its market share could have a material adverse effect on its business, financial condition and results of operations. In addition, royalties for non-exclusive rights after the ELRS Exclusive Term and the Writs Exclusive Term are subject to negotiation by Teranet and the Province. The requirement to pay royalties to the Province following the expiry of the ELRS Exclusive Term and the Writs Exclusive Term will reduce the cash available for distribution to Unitholders. See "Agreements with the Province — License Agreement" and "Agreements with the Province — Writs Agreements".

Level of Search and Registration Activity

A substantial portion of Teranet's revenues consists of fees received in connection with search and/or registration activity in the ELRS and the Writs System. The level of search and/or registration activity depends on a number of factors that are not within the control of Teranet, such as the strength of the economy in Ontario, growth rate of the Ontario parcel base, consumer confidence, employment rates, and lending rates and the business practices of users. With historically low interest rates and low unemployment rates in Canada, the first time homebuyer has been fuelling the real estate market for the last several years. A secondary market is the aging empty nest baby boomer opting for a lifestyle change to urban condominium living. Net migration (sum of interprovincial migration, international migration and non-permanent residents) also plays an important role in the real estate market and net migration to Ontario for each of the next two years is predicted to be above 85,000. Increased interest rates, unemployment and inflation over an extended period of time may have a negative effect on consumer confidence and make house purchases less affordable for first time buyers and less appealing for move up buyers, which could lead to a reduction in the level of registration and/or search activity. A significant reduction in the level of registration and/or search activity as a result of these or other factors could have a material adverse effect on the business, financial condition and results of operations of Teranet.

Teranet's Limited Ability to Set Fees

During the 12 months ended December 31, 2007, Teranet derived approximately 68% of its total revenues from fees prescribed by the Province for registrations under and searches of the ELRS and searches in the Writs System. Statutory fees payable under applicable legislation, including registration and search fees, are set by the

Province and the Province has advised that it is not contemplating fee increases. Fees for services within the Basic Service which are not controlled by statute are set by the mutual agreement of Teranet and the Province, and accordingly, the Province must consent to any increases in such fees and the Province is not obliged to do so. In addition, pursuant to the amendment to the License Agreement, during the ELRS Exclusive Term, Teranet is entitled to receive and accrue as revenue of Teranet, all fees collected from the operation of the ELRS, including registration and search fees, other than statutory levies, charges or increased fees under land registration statutes established by the Province that are in addition to those currently collected and retained by Teranet. Teranet has agreed to collect such additional statutory levies, charges and increased fees and remit them to MGCS or as MGCS may direct net of reasonable costs and expenses of Teranet incurred in respect of the collection of such additional statutory levies, charges and increased fees. Under the License Agreement and the Writs Agreement the Province will compensate Teranet in the event that the Province implements changes in applicable legislation or any policy or procedure of the Province thereunder that results in a material adverse impact on Teranet. A reduction in the amount of such fees or levy of additional levies, charges or increased fees by the Province in the event that Teranet and the Province cannot agree on the terms of compensation, or the failure to agree on price increases to offset increases in operating costs, could have a material adverse effect on the business, financial condition and results of operations of Teranet.

Potential Disagreements with the Province

Disagreements may arise between Teranet and the Province in a number of areas, including: Teranet's and the Province's respective rights and obligations under the License Agreement, the Implementation Agreement, the Writs Agreements or other agreements between Teranet and the Province and any amendments thereto. Teranet may not be able to resolve any potential disagreements with the Province and, even if such disagreements are resolved, the resolution may be on terms and conditions less favourable to Teranet. A defined process exists within the agreements with the Province to deal with disagreements between the parties.

Legislative Changes

No assurances can be given that legislation (including regulations, policies, decisions or orders enacted thereunder) which is currently in force and affecting Teranet, the ELRS or the Writs System will not be amended or enforced otherwise than in accordance with current practices or new laws enacted. Such amendments, changes in practices or new laws may have a material and adverse consequence to Teranet in the future.

Teranet currently collects land transfer tax for the Province in respect of land transfers that are electronically registered using *Teraview*. It does not receive any fees for such service. In December, 2004, the Province passed certain amendments to the *Land Transfer Tax Act* (Ontario) ("LTTA") which, among other things, permit it to designate one or more persons to collect land transfer tax. A designated collector, of which Teranet is currently the only one, is obligated to provide the Minister of Finance

(Ontario) and such other persons such Minister may specify any information obtained in the course of performing its duties under the LTТА and such other information as the Province considers necessary for the proper administration and enforcement of such statute or another statute without charge. The legislation also permits the Minister of Finance (Ontario) to permit third parties to use information contained in land transfer tax affidavits for such purposes and subject to such conditions as the Minister considers appropriate. The legislation also provides that no exercise of any power or performance of any duty by the Minister of Finance (Ontario) under such information gathering and use provisions shall be deemed by any court or person to entitle any person to compensation from the Province under any agreement that purports to provide such compensation, whether entered into before or after the date of such legislation.

Teranet has been designated to act as a collector under this legislation during the ELRS Exclusive Term and Teranet has not been advised that the Province intends to appoint any other collector. Other than pursuant to agreements directly with the Ministry of Finance and the Data Sharing Agreement (as defined below), Teranet has not been requested to provide information to the Minister of Finance (Ontario) or any other person under this legislation nor has it been advised that the Minister has entered any agreements with third parties with respect to use of land transfer tax affidavit information. Teranet believes that the legislation is not intended to permit the use of the ELRS data for any purpose other than to administer or enforce Provincial statutes, and that any broader use would directly violate Teranet's exclusive license.

Teranet believes that if the Minister of Finance (Ontario) was to enable a third party to use the land transfer tax affidavit information for commercial purposes it would be a violation of Teranet's exclusive license. In such case, there could be competition with respect to certain of Teranet's value added products, which could have a material adverse effect on Teranet. Teranet's ability to obtain compensation in such event is unclear.

On November 17, 2005, a data sharing agreement (the "Data Sharing Agreement") among Teranet, MPAC, MGCS, and the Ministry of Finance was executed which is effective as of August 4, 2003, and which among other things, (i) clarifies the license rights granted to Teranet and MPAC with respect to the LTТА electronic data, (ii) confirms Teranet's exclusive right to the LTТА electronic data, (iii) provides for the licensing of LTТА electronic data and other data by Teranet to MPAC for statutory purposes and, under a royalty arrangement, for commercial purposes, (iv) provides that any commercial product proposed by MPAC using LTТА electronic data must be approved in advance by Teranet, and (v) in the event the Province proposes to require Teranet to collect new, or modify, LTТА electronic data: (a) the Ministry of Finance will generally consult with Teranet in order to reduce or eliminate any material adverse effect on Teranet's commercial revenue or markets, (b) MPAC will compensate Teranet for incremental costs incurred by Teranet in the implementation of the collection of new, or modification of, LTТА electronic data if such data is supplied to MPAC under such Agreement, and (c) Ministry of Finance will compensate Teranet for such incremental costs to the extent such data is not supplied to MPAC.

Reliance on Key Personnel

The continued success of Teranet will depend upon the abilities, experience and personal efforts of senior management of Teranet, including their ability to attract and retain skilled employees. The loss of the services of such key personnel or the failure to attract and retain skilled employees could have a material adverse effect on the business, financial condition or future prospects of Teranet.

Reliance on Information Technology Systems

Teranet's operations rely upon its information technology systems in order to provide its services. While Teranet has in place technology security initiatives and disaster recovery plans, these systems may prove inadequate. Its information technology systems may be vulnerable to unauthorized access, computer viruses, system failures, human error, natural disasters, fire, power loss, communications failure, or acts of sabotage or terrorism. If a significant disruption or repeated failure was to occur, Teranet's revenues could be adversely affected. There may also be significant costs incurred as a result of such disruptions or failures which may adversely affect financial performance or capital expenditure levels. Such disruptions or failures could also adversely affect Teranet's ability to meet performance standards in the Implementation Agreement or the Writs Agreement and could give rise to a right of the Province to terminate such agreements, which would have a material adverse effect on the business, financial condition and results of operations of Teranet.

The mainframe computer that stores information in the POLARIS title database and provides other services to Teranet relating to the maintenance and operation of certain aspects of POLARIS is maintained by a third party under agreement with Teranet. This agreement expires on December 31, 2008 but may be extended by the parties or terminated earlier by Teranet for convenience upon at least six months notice. As part of the ELRS Re-Engineering Project P1V1, Teranet's current plan is to operate these services internally and such costs have been budgeted and will be funded from future operations. There may be significant costs incurred by Teranet to successfully evolve the ELRS in order to operate these services internally, which, if such costs exceeds budgeted amounts, may adversely affect financial performance or capital expenditure levels. In addition, any delay in transitioning these services internally could have an adverse effect on the distributable cash of Teranet.

Rapid Technological Change

Teranet's business is characterized by rapidly changing technology, evolving industry standards and continuous improvements in products and services. Upon the expiry of the ELRS Exclusive Term and the Writs Exclusive Term, Teranet's success may depend to a significant extent on its ability to migrate its products or utilize new improvements in developing and marketing its products. If technologies or standards supported by Teranet's products become obsolete or other technologies gain wider commercial acceptance, Teranet's business, financial condition and results of operation could be materially adversely affected.

Costs Related to Capital Expenditures and System Costs

The timing and amount of capital expenditures and systems costs by Teranet will indirectly affect the amount of distributable cash of the Fund. Distributions may be reduced, or eliminated, at times when Teranet deems it necessary to make significant capital or other expenditures and systems costs.

Uncertainty and Potential Liability Resulting from Licensed Software Used in Connection with Products

Certain software modules of Teranet's products make use of or incorporate licensed software components. These components are developed by third parties over whom Teranet has no control. Teranet has no assurances that those components do not infringe upon the intellectual property rights of others. Teranet could be exposed to infringement claims and liability in connection with the use of those software components. Teranet may be forced to replace those components with internally developed components, purchase other licensed software or pay royalties on the use of the software components.

Failure to Protect Teranet's Intellectual Property Rights

Third parties may infringe or misappropriate Teranet's trademarks or other intellectual property rights or may challenge the validity of Teranet's trademarks or other intellectual property rights, which could have a material adverse effect on Teranet's business, financial condition or operating results. The actions that Teranet takes to protect its trademarks, patents and other proprietary rights may not be adequate. Litigation may be necessary to enforce or protect Teranet's intellectual property rights, protect its trade secrets or determine the validity and scope of the proprietary rights of others. Teranet cannot ensure that it will be able to prevent infringement of its intellectual property rights or misappropriation of its proprietary information. Any infringement or misappropriation could harm any competitive advantage Teranet currently derives or may derive from its proprietary rights. Third parties may assert infringement claims against Teranet. Any such claims and any resulting litigation could subject Teranet to significant liability for damages. An adverse determination in any litigation of this type could require Teranet to design around a third party's patent or to license alternative technology from another party. In addition, litigation may be time-consuming and expensive to defend and could result in the diversion of Teranet's time and resources. Any claims from third parties may also result in limitations on Teranet's ability to use the intellectual property subject to these claims.

Interest Rate Fluctuations

Teranet may be exposed to fluctuations in interest rates. Increases in interest rates may have an adverse effect on Teranet's financial performance and, in turn, distributable cash of the Fund.

Risks Related to the Structure of the Fund

Dependence on Teranet

The Fund is an unincorporated open-ended trust that will be entirely dependent on the operations and assets of the Teranet Entities. Cash distributions to Unitholders will be dependent on, among other things, the ability of TOT to pay interest on the notes of TOT issued from time to time ("TOT Notes") and to make cash distributions in respect of the units of TOT ("TOT Units"), which, in turn, is dependent on Teranet Holdings LP making cash distributions. Teranet Holdings LP's ability to make cash distributions is dependent on Teranet making cash distributions. The ability of the Fund and its subsidiaries to make cash distributions or other payments or advances will be subject to applicable laws and regulations and contractual restrictions contained in the instruments governing any indebtedness of those entities, including restrictive covenants in the Credit Facilities and in the Amended Indenture.

Cash Distributions Are Not Guaranteed and Will Fluctuate with Business Performance

Although the Fund intends to distribute the interest received in respect of the TOT Notes and the cash distributions received in respect of the TOT Units, after providing for certain amounts including expenses and amounts, if any, paid by the Fund in connection with the redemption of Units, there can be no assurance regarding the amounts of cash generated by the businesses of Teranet Holdings LP or ultimately distributed to the Fund. Cash distributions are not guaranteed. The ability of the Fund to make cash distributions, and the actual amount distributed, will be entirely dependent on the operations and assets of Teranet, and will be subject to various factors including their financial performance, obligations under applicable credit facilities, fluctuations in working capital, levels of service usage, the sustainability of margins and capital expenditure requirements. The market value of the Units may deteriorate if the Fund is unable to meet its distribution targets in the future, and that deterioration may be significant. In addition, the composition of cash distributions for tax purposes may change over time and may affect the after-tax return for investors.

Nature of Units

A return on an investment in Units of the Fund is not comparable to the return on an investment in a fixed income security. The recovery of the initial investment made by Unitholders is at risk. The Units do not represent a direct investment in TOT, Teranet Holdings LP or Teranet and should not be viewed by investors as securities of or direct investments in TOT, Teranet Holdings LP or Teranet. As holders of Units, Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions or rights of dissent. The Units represent a fractional interest in the Fund.

The Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporations Act* (Canada) and are not insured under the provisions of that Act or any other legislation. Furthermore, the Fund is not a trust company and, accordingly, is not

registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Market Price of Units

Publicly traded investment trusts such as the Fund do not necessarily trade at prices determined solely by reference to the underlying value of their investments. Increases in market rates of interest may lead purchasers to demand a higher yield on the Units, which may adversely affect their price. In addition, the market price for the Units may be affected by changes in general market conditions, fluctuations in the markets for equity securities and other factors beyond the Fund's control.

The market value of the Units may deteriorate if the Fund is unable to meet its distribution targets in the future, and that deterioration may be material. In addition, the composition of cash distributions for tax purposes may change over time and may affect the after-tax return for investors.

Structural Subordination of the Fund Units

In the event of a bankruptcy, liquidation or reorganization of Teranet or any of its subsidiaries, holders of its indebtedness and its trade creditors will generally be entitled to payment of their claims from the assets of Teranet and those subsidiaries before any assets are made available for distribution to the Fund. The Units are junior in priority to Teranet's outstanding debt and bonds, respectively, including those issued under the Amended Indenture and other liabilities (including trade payables) of Teranet. Teranet will generate all of the Fund's cash available for distribution and will hold all of the Fund's consolidated assets.

Distribution of Securities on Redemption or Termination of the Fund

Upon a redemption of Units or termination of the Fund, the Trustees may distribute TOT Notes designated as Series 2 ("Series 2 TOT Notes") and TOT Notes designated as Series 3 ("Series 3 TOT Notes") directly to the Unitholders, subject to obtaining all required regulatory approvals. There is currently no market for the Series 2 TOT Notes and Series 3 TOT Notes. In addition, the Series 2 TOT Notes and Series 3 TOT Notes are not freely tradable and are not currently listed on any stock exchange and no established market is expected to develop in such Series 2 TOT Notes and Series 3 TOT Notes. Series 2 TOT Notes and Series 3 TOT Notes so distributed may not be qualified investments for Plans, depending upon the circumstances at the time.

Investment Eligibility

The Fund will endeavour to ensure that Units continue to be qualified investments for Plans. No assurance can be given in this regard. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments by Plans and certain other tax-exempt persons.

Dilution of Existing Unitholders

The Declaration of Trust authorizes the Fund to issue an unlimited number of Units and Special Voting Units for that consideration and on those terms and conditions as shall be established by the Trustees without the approval of any Unitholders. The Unitholders will have no pre-emptive rights in connection with such further issues. The Fund will be required to issue additional Units in connection with the indirect exchange of the Class B LP Units.

Potential Liabilities

In connection with the indirect acquisition of Teranet by the Fund on June 16, 2006, there may be liabilities assumed by the Fund through its interest in Teranet, including those associated with the operation of Miralta Teramira Inc., 1028484 Ontario Inc. and 1255315 Ontario Inc. (the "Teramira Holdcos"), as well as Teranet and Teramira, for which the Fund is not indemnified. In particular, to the extent that Teranet, Teramira and/or any Teramira Holdco failed to comply with or otherwise violated applicable laws, Teranet may be legally and financially responsible for these violations. The discovery of any material liabilities could have a material adverse effect on the financial condition and results of operations of Teranet and, as a result, the amount of cash available for distribution to Unitholders. Teranet and the Teramira Holdcos have represented and warranted to the Fund and the Teranet Entities that they are not aware of any undisclosed liabilities and that any disclosed liabilities are adequately reserved and such parties have agreed to indemnify the Fund and the Teranet Entities for breaches of representation and warranties. However, the Teramira Holdcos have amalgamated with Teranet, Teramira and TII and continue as Teranet, of which the Fund now owns indirectly a 100% interest (after giving effect to the exchange of all outstanding Class B LP Units). As a result, this indemnity has nominal value.

Leverage and Restrictive Covenants

The ability of TOT and its subsidiaries to make distributions or make other payments or advances will be subject to applicable laws and contractual restrictions contained in the instruments governing any indebtedness of those entities (including the Credit Facilities and bonds that may be outstanding from time to time). The degree to which Teranet Holdings LP or Teranet are leveraged could have important consequences to the Unitholders including: (i) Teranet's ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; (ii) a significant portion of Teranet's cash flow from operations may be dedicated to the payment of the principal of and interest on their indebtedness, thereby reducing funds available for future operations; (iii) certain borrowings will be at variable rates of interest, which exposes Teranet to the risk of increased interest rates; and (iv) Teranet may be more vulnerable to economic downturns and be limited in their ability to withstand competitor pressures. These factors may increase the sensitivity of distributable cash to interest rate variations.

The Credit Facilities and the Amended Indenture contained numerous restrictive covenants that limit the discretion of the Teranet's management with respect to certain business matters. These covenants place significant restrictions on, among other

things, the ability of Teranet to create liens or other encumbrances, to pay distributions or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. In addition, the Credit Facilities contain a number of financial covenants that require Teranet to meet certain financial ratios and financial condition tests. A failure by Teranet to comply with the obligations in the Credit Facilities or in the Amended Indenture could result in a default which, if not cured or waived, could result in a termination of distributions by Teranet and permit acceleration of the relevant indebtedness. If the indebtedness under the Credit Facilities or outstanding bonds under the Amended Indenture were to be accelerated, there can be no assurance that the assets of Teranet would be sufficient to repay in full that indebtedness. In addition, the Credit Facilities will mature no later than the third anniversary thereof (subject to certain extensions with the approval of the lenders under the Credit Facilities). There can be no assurance that future borrowings or equity financing will be available to Teranet, or available on acceptable terms, in an amount sufficient to fund Teranet's needs.

Future Sales of Units by former Shareholders of Teramira

The former shareholders of Teramira held a substantial interest in the Fund at the completion of the IPO and continue to do so through their ownership of Class B LP Units (which are exchangeable for Units on a one-for-one basis). Such persons may continue to hold a substantial number of Units. If such persons sell substantial amounts of Units in the public market, the market price of the Units could decline. The perception of the public that these sales will occur could also contribute to a decline in the market price of the Units.

Income Tax Matters

There can be no assurance that Units will continue to be "qualified investments" under the Tax Act for Plans. The Tax Act imposes penalties or other tax consequences on Plans which acquire or hold non-qualified investments. In addition, there can be no assurance that Canadian federal income tax laws and administrative policies respecting the treatment of mutual fund trusts will not be changed in a manner which adversely affects Unitholders.

Currently, a trust will not be considered to be a "mutual fund trust" for purposes of the Tax Act if it is established or maintained primarily for the benefit of non-residents (within the meaning of the Tax Act) unless all or substantially all of its property is property other than "taxable Canadian property" as defined in the Tax Act. The Declaration of Trust contains mechanisms to ensure that the Fund is not maintained primarily for the benefit of non-residents. On September 16, 2004, the Minister of Finance (Canada) released draft amendments to the Tax Act which provide that a trust would lose its status as a mutual fund trust if the aggregate fair market value of all units issued by the trust held by one or more non-resident persons or partnerships that are not "Canadian partnerships" (as defined in the Tax Act) is more than 50% of the aggregate fair market value of all the units issued by the trust where more than 10% (based on fair market value) of the trust's property is "taxable Canadian property" or certain other types of property. To date, the Department of Finance has not tabled a

Notice of Ways and Means Motion which includes these proposed changes, and the Department of Finance has indicated that the implementation of the proposed changes would be suspended pending further consultation with interested parties. Depending on the final form of any amendments which may be enacted, it may be necessary to amend the Declaration of Trust to take into account these new restrictions. This amendment may be made without Unitholder approval.

Income fund structures generally involve significant amounts of inter-company or similar debt, generating substantial interest expense, which serves to reduce earnings and therefore income tax payable. There can be no assurance that taxation authorities will not seek to challenge the amount of interest expense deducted by any of the related entities controlled by the Fund. If such a challenge were to succeed, it would materially adversely affect the amount of cash available to the Fund for distribution to Unitholders. The Fund believes that the interest expense inherent in the structure of the Fund is supportable and commercially reasonable. On October 31, 2003 the Department of Finance released, for public comment, proposed amendments to the Tax Act that relate to the deductibility of interest and other expenses for income tax purposes. In general, the proposed amendments may deny the realization of losses in respect of a business if there is no reasonable expectation that the business will produce a cumulative profit over the period that the business can reasonably be expected to be carried on. As part of the release of the February 23, 2005 Federal Budget, the Minister of Finance (Canada) announced that many commentators had expressed concern with the October 31, 2003 proposals; in particular that a codification of the "reasonable expectation of profit" test might inadvertently limit the deductibility of a wide variety of ordinary commercial expenses. The Department of Finance has sought to respond by developing a more modest legislative initiative that would respond to those concerns while still achieving the government's objectives. The Department of Finance indicated that it will release an alternative proposal for public comment at its earliest opportunity. The Fund does not believe that the amendments as proposed on October 31, 2003 would have a material effect on its tax position.

The Declaration of Trust provides that a sufficient amount of the Fund's net income and net realized capital gains will be distributed each year to Unitholders in order to eliminate the Fund's liability for tax under Part I of the Tax Act. Where such amount of net income and net realized capital gains of the Fund in a taxation year exceeds the cash available for distribution in the year, such excess net income and net realized capital gains will be distributed to Unitholders in the form of additional Units. Unitholders will generally be required to include an amount equal to the fair market value of those Units in their taxable income, in circumstances where they do not directly receive a cash distribution.

On June 22, 2007, Bill C-52 (the Legislation) received Royal Assent. The Legislation enacts the Federal Minister of Finance's October 31, 2006 proposals to impose a new tax on distributions by "specified flow-through entities" or "SIFTs". As a publicly traded trust, the Fund is a SIFT. Generally, the Legislation will not apply to SIFTs that were publicly traded on October 31, 2006 ("Grandfathered SIFTs") until

January 1, 2011 provided such Grandfathered SIFTs, generally, do not exceed normal growth as determined by reference to the normal growth guidelines issued by the Department of Finance on December 15, 2006 (the "Normal Growth Guidelines").

If the Fund is considered to have exceeded normal growth under the Normal Growth Guidelines before January 1, 2011, the Legislation may become applicable to the Fund prior to that date. No assurance can be given that the Fund will be able to maintain its status as a Grandfathered SIFT until January 1, 2011. Loss of this status may result in material adverse tax consequences for the Fund and its Unitholders.

Although the Fund is a SIFT, provided it does not exceed normal growth between October 31, 2006 and January 1, 2011, the Legislation does not change the manner in which the Fund and its distributions are taxed until January 1, 2011. Specifically, commencing in 2011, the Fund will be subject to entity level taxation, which will reduce the amount available for distributions to the Unitholders. Under the legislation, the tax payable by the Fund on income (other than taxable dividends) distributed by the Fund to its Unitholders would approximate the tax payable on income earned by Canadian public corporations. The tax rate applicable to the Fund in 2011 would be 29.5% but this is subject to change between now and 2011. Income distributions received by Unitholders beginning January 1, 2011 generally would be characterized as "eligible dividends" (as defined in the Tax Act) received from a Canadian public corporation. Generally, individual Unitholders resident in Canada would be subject to tax based on the enhanced gross-up and dividend tax credit applicable to eligible dividends. Unitholders subject to the highest marginal rate of tax would receive an after-tax return from their now reduced distributions of Fund income approximately equal to the after-tax return if the pre-tax income of the Fund had been distributed directly to and taxed in the hands of the Unitholders. Reduced distributions, however, will be an absolute cost to other types of Unitholders including but not limited to, pension funds, and non-residents who would not benefit from the characterization of the Fund distributions as eligible dividends.

The Legislation and/or the Normal Growth Guidelines may adversely affect the marketability of the Fund's units and the ability of the Fund to undertake financings and acquisitions. In addition, at such time as any new rules apply to the Fund, the distributable cash of the Fund may be materially reduced.

The after-tax return to Unitholders subject to Canadian federal income tax from an investment in Units will depend, in part, on the composition for tax purposes of distributions paid by the Fund. It is expected that substantially all of the distributions paid by the Fund will be treated as taxable income in the hands of Unitholders for Canadian income tax purposes.

Implications of Exercise of Redemption Right

It is anticipated that the redemption right will not be the primary mechanism for Unitholders to liquidate their investments. Upon a redemption of Units, the Trustees may distribute the TOT Units and TOT Notes directly to the Unitholders, subject to

obtaining any required regulatory approvals and complying with the requisite terms and conditions of such approvals. TOT Units and TOT Notes so distributed may not be qualified investments for Plans depending upon the circumstances at the time. Additionally, such TOT Units and TOT Notes will not be listed on any stock exchange and no established market is expected to develop in such TOT Units and TOT Notes and they may be subject to resale restrictions under applicable securities laws.

Limitation on Potential Growth

The payout by Teranet of substantially all of its operating cash flow will make additional capital and operating expenditures dependent on increased cash flow or additional financing in the future. Lack of those funds could limit the future growth of Teranet and its cash flow.

Limitations on Ownership

In order for the Fund to maintain its status as a "mutual fund trust" under the Tax Act, the Fund must not be established or maintained primarily for the benefit of non-residents of Canada within the meaning of the Tax Act. Accordingly, the Declaration of Trust provides that at no time may non-residents of Canada and partnerships which are not "Canadian partnerships" for the purposes of the Tax Act be the beneficial owners of more than 49.9% of the Units or the Special Voting Units of the Fund then outstanding. This 49.9% limitation will be applied with respect to the issued and outstanding Units and/or Special Voting Units of the Fund on both a non-diluted basis and a fully diluted basis.

In addition, the Declaration of Trust provides that at no time during the period that the Exclusive Supplier is owned or controlled, directly or indirectly, by the Fund without the prior written approval of the Province may any person or any persons acting jointly or in concert with each other, beneficially own or control, directly or indirectly, more than 25% of the Units and/or the Special Voting Units (on both a non-diluted basis and a fully diluted basis, including all Units issuable upon the exercise of all exchange or conversion rights attached to the Class B LP Units or other securities exchangeable for Units). These restrictions may limit (or inhibit the exercise of) the rights of certain persons, including non-residents of Canada, in the case of the Tax Act restriction, to acquire Units, to exercise their rights as Unitholders and to initiate and complete take-over bids in respect of the Units. As a result, these restrictions may limit the demand for Units from certain Unitholders and thereby adversely affect the liquidity and market value of the Units held by the public.

Exercise of Dissent Rights by a Teramira Shareholder

A Teramira shareholder holding 137,797 Teramira common shares (or approximately 8% of the issued and outstanding Teramira common shares) has exercised its right of dissent to the special resolutions passed by the Teramira shareholders on April 11, 2006 authorizing an amendment to the articles of Teramira to redesignate the common shares as Class A common shares, to create a new class of Class B common shares, and to authorize the amalgamation of Teramira with Teranet. Upon such amalgamation in 2006, Teranet assumed such obligation and took a reserve

in respect of the obligation to pay such shareholder the fair value of such shareholder's shares and related costs. The dissenting shareholder did not accept Teramira's offer to pay it an amount deemed to be the fair value of the dissenting shareholders' shares. As such, Teranet has applied to court to fix the fair value of the shares of Teramira held by the dissenting shareholder as of April 10, 2006. The fair value of such shareholder's shares as of April 10, 2006 as determined under the dissent process, together with Teranet's costs incurred in respect of the dissent and fair value process, may be greater than the reserve set aside by Teranet. The amount of such excess may have an impact on distributable cash.

DESCRIPTION OF THE FUND

Declaration of Trust

The Fund is an unincorporated, open-ended trust established under the laws of Ontario pursuant to the Declaration of Trust. The Fund qualifies as a "mutual fund trust" for the purposes of the Tax Act. The following is a summary of the material attributes and characteristics of the Units and certain provisions of the Declaration of Trust, which does not purport to be complete. Reference is made to the Declaration of Trust for a complete description of the Units and the full text of its provisions.

Activities of the Fund

The Declaration of Trust provides that the Fund's activities are restricted to:

- (i) acquiring, investing in, holding, transferring, disposing of and otherwise dealing with investments in debt and/or equity securities and/or assets of the Teranet Entities, as well as other corporations, partnerships, trusts and other persons engaged, directly or indirectly, in the business of primarily operating and supporting electronic registration of interests in real property and providing other integrated information products and services, as well as activities ancillary and incidental thereto, and such other investments as the Trustees may determine;
- (ii) temporarily holding cash in interest bearing accounts or short-term certificates of deposit, short term government debt or investment grade corporate debt, or money market mutual funds for the purposes of the Fund's activities, including making investments or paying the expenses and liabilities of the Fund, paying amounts payable by the Fund in connection with the redemption of any Units or other securities of the Fund, and making distributions to Unitholders;
- (iii) issuing Units, Special Voting Units and other securities (including instalment receipts, securities convertible into or exchangeable for Units, Special Voting Units or other securities of the Fund, or warrants, options or other rights to acquire Units, Special Voting Units or other securities of the Fund), including for the purposes of: (a) obtaining cash to conduct the activities described above, including raising funds for further acquisitions, (b) implementing Unitholder rights plans, distribution reinvestment plans and

Unit purchase plans, incentive option plans or other compensation plans, if any, established by the Fund or the Teranet Entities, (c) making non-cash distributions to Unitholders, including pursuant to distribution reinvestment plans, if any, established by the Fund, (d) satisfying any indebtedness or liability of or borrowing by the Fund, or (e) giving effect to the exercise of the exchange rights pursuant to the Exchange Agreement (as defined hereunder) or the exercise of any other rights of the holders of warrants, options, rights or other securities convertible into, or exchangeable or exercisable for, Units, Special Voting Units or other securities of the Fund;

- (iv) issuing debt securities (including debt securities convertible into, or exchangeable for, Units or other securities of the Fund) or otherwise borrowing and mortgaging, pledging, charging, granting a security interest in or otherwise encumbering any of its assets as security;
- (v) to the extent that it does not adversely affect the Fund's status as a mutual fund trust, guaranteeing (as guarantor, surety or co-principal obligor) the payment of any indebtedness, liability or obligation of the Teranet Entities or the performance of any obligation of the Teranet Entities, and mortgaging, pledging, charging, granting a security interest in or otherwise encumbering all or any part of its assets, including debt or equity securities issued by the Teranet Entities or any of the Fund's or their affiliates, as the case may be, as security for such guarantee, and subordinating its rights under the TOT Notes or other indebtedness owed to the Fund to other indebtedness;
- (vi) issuing or redeeming rights and Units pursuant to any incentive plan or Unitholder rights plan adopted by the Fund;
- (vii) disposing of all or any part of any of the Fund's assets;
- (viii) repurchasing and redeeming securities issued by the Fund including Units, subject to the provisions of the Declaration of Trust, applicable law and applicable regulatory requirements;
- (ix) satisfying the obligations, liabilities or indebtedness of the Fund; and
- (x) undertaking such other activities, or taking such other actions, as are approved by the Trustees from time to time or as are contemplated by, related to or in connection with the Declaration of Trust or the foregoing, provided that the Fund must not undertake any activity, take any action, or make any investment that would result in the Fund not being considered a "mutual fund trust" for purposes of the Tax Act.

Units and Special Voting Units

The beneficial interests in the Fund is divided into interests of two classes, described and designated as "Units" and "Special Voting Units", respectively. An unlimited number of Units and Special Voting Units are issuable pursuant to the Declaration of Trust.

Each Unit is transferable and represents an equal undivided beneficial interest in the Fund, in any distributions from the Fund whether of net income, net realized capital gains or other amounts, and in any net assets of the Fund in the event of the termination or winding-up of the Fund. All Units are of the same class with equal rights and privileges. Each whole Unit entitles the holder thereof to one vote at all meetings of Unitholders. No Unitholder has or is deemed to have any right of ownership or other interest in any assets of the Fund, nor shall a Unitholder be entitled to interfere with or give any direction to the Trustees. Except as set out under "Redemption at the Option of Unitholders" below, the Units have no conversion, retraction, redemption or pre-emptive rights.

The Special Voting Units are not entitled to any interest or share in the Fund, in any distribution from the Fund whether of net income, net realized capital gains or other amounts, or in any net assets of the Fund in the event of the termination or winding-up of the Fund. Special Voting Units may be issued in series and will only be issued in connection with or in relation to Class B LP Units and, if the Trustees so determine, other exchangeable securities. Special Voting Units were issued in conjunction with, and are attached to, the Class B LP Units and, if the Trustees so determine other exchangeable securities to which they relate, and will be evidenced only by the certificates representing such Class B LP Units or other exchangeable securities. Special Voting Units will not be transferable separately from the Class B LP Units or other exchangeable securities to which they are attached. Each Special Voting Unit will entitle the holder thereof to that number of votes at any meeting of Unitholders or in respect of any written resolution of Unitholders that is equal to the number of Units that may be obtained upon the exchange (direct or indirect) of the Class B LP Units or other exchangeable securities to which the Special Voting Unit is attached. Upon the exchange or conversion of a Class B LP Unit or other exchangeable security, as the case may be, for Units, or upon the redemption of any exchangeable security, the Special Voting Unit that is attached to such Class B LP Unit or other exchangeable security will immediately be cancelled without any further action of the Trustees, and the former holder of such Special Voting Unit will cease to have any rights with respect thereto.

In certain circumstances, issued and outstanding Units may be subdivided or consolidated from time to time without the approval of Unitholders.

No fractions of Units will be issued except in the circumstances described in the Declaration of Trust. Unitholders of fractional Units will not be entitled to vote in respect of such fractional Units. The Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of such act or any other legislation. Furthermore, the Fund is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Issuance of Units

The Declaration of Trust provides that Units or rights to acquire Units may be issued at the times, to the persons, for the consideration and on the terms and

conditions that the Trustees determine, including pursuant to any Unitholder rights plan, distribution reinvestment plan, Unit purchase plan, or any incentive option or other compensation plan established by the Fund or a Teranet Entity. Units may be issued in satisfaction of any non-cash distribution of the Fund to Unitholders on a *pro rata* basis. The Declaration of Trust also provides that immediately after any *pro rata* distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be consolidated such that each Unitholder will hold after the consolidation the same number of Units as the Unitholder held immediately before the non-cash distribution (except where tax was required to be withheld in respect of the Unitholder's share of the distribution as described below). In this case, each certificate representing a number of Units prior to the non-cash distribution will be deemed to represent the same number of Units after the non-cash distribution and the consolidation. Where amounts so distributed represent income, non-resident Unitholders will be subject to applicable withholding tax and the consolidation will not result in such non-resident Unitholders holding the same number of Units. Such non-resident Unitholders will be required to surrender the certificates, if any, representing their original Units in exchange for certificates representing their post-consolidation Units.

Trustees

The Fund has three Trustees (and is permitted to have a maximum of ten Trustees). The Trustees are to supervise the activities and manage the affairs of the Fund. Pursuant to the terms of the Declaration of Trust, all of the Trustees must be "resident in Canada" for purposes of the Tax Act. The Fund's three Trustees are all "independent" from the Fund and Teranet within the meaning of NI 58-101.

Trustees will be appointed at each annual meeting of Unitholders to hold office for a term expiring (subject to further appointment) at the close of the next annual meeting. A quorum of Trustees, being the greater of two Trustees and a majority of the Trustees then holding office, may fill a vacancy on the board of Trustees, except a vacancy resulting from an increase in the number of Trustees (other than as noted below) or from a failure of the Unitholders to elect the required number of Trustees at a meeting of Unitholders. In the absence of a quorum of Trustees, or if the vacancy has arisen from a failure of the Unitholders to elect the required number of Trustees at a meeting of Unitholders called for such purpose, the Trustees will forthwith call a special meeting of Unitholders to fill the vacancy. If the Trustees fail to call that meeting or if there are not Trustees then in office, any Unitholder may call the meeting. The Trustees may, prior to the first annual meeting of Unitholders or between annual meetings of Unitholders following such appointment, appoint one or more additional Trustees to serve until the next annual meeting of Unitholders, but the number of additional Trustees so appointed may not exceed one-third of the number of Trustees who held office at the later of the termination of the immediately preceding annual meeting of Unitholders.

A Trustee may resign upon written notice to the Fund and may be removed by an Ordinary Resolution of the Unitholders. A vacancy created by the removal of a Trustee may be filled at the same meeting of Unitholders at which the Trustee is removed,

failing which it may be filled by the remaining Trustees constituting a quorum of Trustees.

The Declaration of Trust provides that, subject to its terms and conditions, the Trustees will have continuing, full, absolute and exclusive power, control and authority and discretion over, and management of, the assets of the Fund and the affairs and undertaking of the Fund, to the same extent as if the Trustees were the sole and absolute legal and beneficial owners of the assets of the Fund and may, in respect of the assets of the Fund, exercise any and all rights, powers and privileges that could be exercised by a legal and beneficial owner thereof without the necessity of applying to any court for leave to do so. Subject to such terms and conditions, the Trustees are responsible for, among other things:

- (i) supervising the activities and managing the investments and the affairs of the Fund;
- (ii) maintaining records and providing reports to Unitholders;
- (iii) effecting distributions from the Fund to Unitholders;
- (iv) effecting the payment of the redemption or repurchase price for Units;
- (v) acting for, voting on behalf of, and representing the Fund as a holder of TOT Units and a holder of TOT Notes; and
- (vi) voting in favour of the Fund's nominees to serve as trustees of TOT and as directors of Teranet, Teranet GP and any other of the Teranet Entities.

The Declaration of Trust provides that the Trustees must act honestly and in good faith with a view to the best interests of the Fund and Unitholders and in connection therewith must exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The duties and standard of care of the Trustees are intended to be similar to, and not any greater than, those imposed on a director of a corporation governed by the CBCA. The Declaration of Trust provides that each Trustee and officer of the Teranet Entities, as well as former Trustees and officers, and their respective heirs and legal representatives, will be entitled to indemnification from the Fund in respect of the exercise of that person's powers, and the discharge of that person's duties, provided that the person acted honestly and in good faith with a view to the best interests of the Fund and Unitholders and exercised the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances, as required by the Declaration of Trust and, in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, where the person had reasonable grounds for believing that his or her conduct was lawful.

Distributions

The Fund currently makes monthly distributions of its available distributable cash to Unitholders to the extent determined prudent by the Trustees. These distributions represent all of the cash received from the Fund's indirect interest in Teranet, less

estimated cash amounts required for expenses and other obligations of the Fund, cash redemptions of Units and any tax liability.

The Fund may make additional distributions in excess of the aforementioned monthly distributions during the year, as the Trustees may determine. The distribution declared in respect of the month ended December 31 in each year will include such amount in respect of the taxable income and net realized capital gains, if any, of the Fund for such year as is necessary to ensure that the Fund will not be liable for income taxes under Part I of the Tax Act in such year. Any income of the Fund that is unavailable for cash distribution will, to the extent necessary to ensure that the Fund does not have any such income tax liability, be distributed to Unitholders in the form of additional Units. Such additional Units will be issued pursuant to applicable exemptions under applicable securities laws, discretionary exemptions granted by applicable securities regulatory authorities or a prospectus or similar filing.

The Fund currently makes monthly cash distributions to Unitholders of record on the last business day of each month to be paid approximately 15 business days following each month end. On November 13, 2007, the Trustees approved a 4% increase in the monthly distribution to \$0.0650 from \$0.0625 per unit, representing an annual increase to \$0.7800 per unit from \$0.7500 per unit, commencing with the November 2007 distribution (payable on December 17, 2007 to Unitholders of record on November 30, 2007).

Unitholders who are non-residents of Canada will be required to pay all withholding taxes payable in respect of any distributions of income by the Fund, whether such distributions are in the form of cash or additional Units. The Fund will withhold from all distributions all amounts required to be withheld by law. Non-residents should consult their own tax advisors regarding the tax consequences of investing in the Units.

The Fund's distributions may vary. See "Risk Factors" above.

Redemption at the Option of Unitholders

Units are redeemable at any time on demand by the holders thereof upon delivery to the transfer agent and registrar of a duly completed and properly executed notice requesting redemption in a form acceptable to the transfer agent and registrar and approved by the Trustees specifying the number of Units to be redeemed. As the Units will be issued in book entry form, a Unitholder who wishes to exercise the redemption right will be required to obtain a redemption notice form from the Unitholder's investment dealer, who will be required to deliver the completed redemption notice form to the Fund at its head office and to CDS. As of the close of business on the date the Units are tendered for redemption, all rights to and under the Units tendered for redemption shall (subject to the following) be surrendered and the holder thereof shall be entitled to receive a price per Unit (the "Redemption Price") equal to the lesser of:

- (i) 90% of the Market Price of the Units on the principal stock exchange on which the Units are listed (or, if the Units are not listed on any stock exchange, on the principal market on which the Units are quoted for trading) during the period of the last 10 trading days on such stock exchange or

market ending immediately prior to the date on which the Units were tendered to the Fund for redemption; and

- (ii) the Closing Market Price of the Units on the date on which the Units were tendered for redemption on the principal stock exchange on which the Units are listed (or, if Units are not listed on any stock exchange, on the principal market on which the Units are quoted for trading).

For the purposes of determining the Redemption Price, "Market Price" will be the amount equal to the weighted average of the trading prices of the Units on the TSX or if the Units are not then listed on the TSX, on any other stock exchange or automated quotation system on which the Units are traded or quoted for each of the trading days on which there was a trade of Units during the specified trading day period; provided that if there was trading of Units on the TSX or if the Units are not then listed on the TSX, on any other stock exchange or automated quotation system on which the Units are traded or quoted for fewer than five of the trading days during the specified trading day period, "Market Price" will be the average of the following prices established for each of the trading days during the specified trading day period: the average of the last bid and ask prices of Units for each trading day on which there was no trading of Units and the weighted average trading prices of the Units for each trading day on which there was trading of Units. For the purposes of determining the Redemption Price, "Closing Market Price" will be: (i) an amount equal to the closing price of the Units on the TSX or if the Units are not then listed on the TSX, on any other stock exchange or automated quotation system on which the Units are traded or quoted if there was a trade of Units on the specified date and the TSX or if the Units are not then listed on the TSX, on any other stock exchange or automated quotation system on which the Units are traded or quoted only provides a closing price; (ii) an amount equal to the average of the highest and lowest prices of Units on the TSX or if the Units are not then listed on the TSX, on any other stock exchange or automated quotation system on which the Units are traded or quoted if there was trading of Units on the specified date and the TSX or if the Units are not then listed on the TSX, on any other stock exchange or automated quotation system on which the Units are traded or quoted provides only the highest and lowest trading prices of Units traded on a particular day; or (iii) the average of the last bid and last asking prices on the TSX or if the Units are not then listed on the TSX, on any other stock exchange or automated quotation system on which the Units are traded or quoted if there was no trading of Units on the specified date.

The aggregate Redemption Price payable by the Fund in respect of any Units surrendered for redemption during any calendar month will be satisfied by way of a cash payment by the Fund no later than the last day of the calendar month following the calendar month in which the Units were tendered for redemption, provided that the entitlement of the Unitholders to receive cash upon the redemption of their Units is subject to the limitations that:

- (i) the total amount payable in cash by the Fund in respect of such Units and all other Units tendered for redemption in the same calendar month may not exceed \$50,000 (the "Monthly Limit"), provided that the Trustees may, in

their sole discretion, waive such limitation in respect of all Units tendered for redemption in any calendar month;

- (ii) on the date such Units are tendered for redemption, the outstanding Units must be listed for trading on a stock exchange or traded or quoted on any stock exchange or another market that, in the sole discretion of the Trustees, provides a representative fair market value price for the Units; and
- (iii) the normal trading of the outstanding Units must not be suspended or halted on any stock exchange on which the Units are listed for trading (or, if not listed on a stock exchange, on any market on which the Units are quoted for trading) on the date that the Units are tendered for redemption or for more than five trading days during the 10 trading day period immediately prior to the date on which the Units are tendered for redemption.

If a Unitholder is not entitled to receive cash upon the redemption of Units as a result of the Monthly Limit and the Trustees have not waived such limit, then the Redemption Price for each Unit tendered for redemption to which the Unitholder would otherwise be entitled will, subject to any applicable regulatory approvals, be paid and satisfied by way of a distribution *in specie* of the assets of the Fund. If a Unitholder is not entitled to receive cash upon the redemption of Units as a result of the other specified limitations, then each redeeming Unitholder will be entitled to receive in lieu of the Redemption Price a price per Unit (the "In Specie Redemption Price") equal to the fair market value thereof as determined by the Trustees, which may be satisfied by way of a distribution *in specie* of the assets of the Fund. In each such case, a proportionate amount of the TOT Units and the TOT Notes designated as Series 1 (the "Series 1 TOT Notes") held by the Fund having an aggregate value equal to the Redemption Price (or, as applicable, the In Specie Redemption Price) will be redeemed in consideration of the issuance to the Fund of Series 2 TOT Notes and Series 3 TOT Notes, respectively. The Series 2 TOT Notes and the Series 3 TOT Notes will then be distributed to the redeeming Unitholder in full satisfaction of the Redemption Price (or, as applicable, the In Specie Redemption Price). Series 2 TOT Notes and Series 3 TOT Notes will be issued only in integral multiples of \$10. Where the principal amount of Series 2 TOT Notes and Series 3 TOT Notes to be received by a Unitholder includes a fraction or a multiple amount less than a multiple of \$10, that number will be rounded to the next lowest number or multiple of \$10, as the case may be and the difference will be paid in cash. The Fund will be entitled to all interest paid on the TOT Notes and distributions paid on the TOT Units on or before the date of the distribution *in specie*. Where the Fund makes a distribution *in specie* of securities on the redemption of Units, the Fund currently intends to allocate to the redeeming Unitholder any capital gain or income realized by the Fund as a result of the redemption of the TOT Units and Series 1 TOT Notes and the distribution of securities to the Unitholder on the redemption of such Units. Series 2 TOT Notes and Series 3 TOT Notes so distributed may not be "qualified investments" for Plans.

It is anticipated that the redemption right described above will not be the primary mechanism for Unitholders to dispose of their Units. Series 2 TOT Notes and Series 3 TOT Notes that may be distributed *in specie* to Unitholders in connection with a

redemption will not be listed on any stock exchange, no market is expected to develop in such Notes and such Notes may be subject to an indefinite "hold period" or other resale restrictions under applicable securities laws. In addition, the Series 2 TOT Notes and Series 3 TOT Notes so distributed may not be "qualified investments" under the Tax Act for trusts governed by Plans depending upon the circumstances at the time.

Repurchase of Units

The Fund is allowed, from time to time, to purchase Units for cancellation in accordance with applicable securities laws and the rules prescribed under applicable stock exchange or regulatory policies. Any such purchases may constitute an "issuer bid" under applicable Canadian securities laws and must be conducted in accordance with the applicable requirements thereof. On November 15, 2006, the Fund announced that the TSX had accepted its normal course issuer bid (the "Bid") to purchase up to 5 million Units. On November 15, 2007, the Fund announced that it had renewed the Bid. Purchases under the Bid will end no later than November 18, 2008. The Units will be purchased for cancellation through the facilities of the TSX, in accordance with its policies, and at market price. As at March 4, 2008, 365,000 Units had been purchased under the Bid at market prices averaging \$9.54 per Unit.

Meetings of Unitholders

The Declaration of Trust provides that meetings of Unitholders will be required to be called and held annually, for the purpose of: (i) the presentation of the audited financial statements of the Fund for the immediately preceding financial year, (ii) the appointment of Trustees for the ensuing year, (iii) the appointment of auditors, (iv) generally, any other matter that the Unitholders may be entitled to vote upon, and (v) transacting such other business as the Trustees may determine or as may be properly brought before the meeting. The Declaration of Trust provides that Unitholders will be entitled to pass resolutions that will bind the Trustees with respect to:

- (i) the election or removal of Trustees of the Fund;
- (ii) any amalgamation, arrangement, other merger or capital reorganization of the Fund, or the Teranet Entities with any other entity, except in conjunction with an internal reorganization;
- (iii) the appointment or removal of nominees of the Fund chosen by the Unitholders to serve as trustees of TOT (provided that casual vacancies may be filled by the remaining TOT Trustees);
- (iv) the appointment or removal of the auditors of the Fund;
- (v) the appointment of an inspector to investigate the performance by the Trustees of their respective responsibilities and duties in respect of the Fund;
- (vi) the approval of amendments to the Declaration of Trust (as described under "Description of the Fund — Amendments to the Declaration of Trust");

- (vii) the termination of the Fund by way of a Special Resolution of Unitholders;
- (viii) the sale, lease, exchange or other disposition or distribution of all or substantially all of the assets of the Fund (other than in connection with an in specie redemption of Units by the Fund);
- (ix) the exercise of certain voting rights attached to the securities of TOT or the other Teranet Entities held directly or indirectly by the Fund;
- (x) the election (or removal) of nominees of the Fund to act as directors of Teranet, Teranet GP and any other of the Teranet Entities (provided that casual vacancies may be filled as provided by applicable laws or pursuant to the applicable shareholders agreement or other constating document);
- (xi) the ratification of any Unitholder rights plan, distribution reinvestment plan and Unit purchase plan, Unit option plan or other compensation plan contemplated by the Declaration of Trust requiring Unitholder approval; and
- (xii) such other business as the Trustees may determine or as may properly be brought before a meeting, including, without limitation, any other matters required by securities law, stock exchange rules or other laws or regulations to be submitted to Unitholders for their approval,

provided that any resolution of the Unitholders that would cause the Fund or any Teranet Entity to breach the terms of any material contract (as described under the heading "Material Contracts" below) or adversely affect the status of the Fund as a mutual fund trust, unless the Fund is to be terminated, shall not be binding on the Trustees.

No other action taken by Unitholders or any other resolution of the Unitholders will in any way bind the Fund or the Trustees.

Resolutions: (i) electing or removing the Trustees, (ii) electing or removing nominees of the Fund to serve as trustees of TOT, (iii) appointing or removing the auditors of the Fund, (iv) electing or removing nominees of the Fund to act as directors of the Teranet Entities, (v) with respect to the exercise of certain voting rights attached to the securities of TOT or the other Teranet Entities held, directly or indirectly, by the Fund, (vi) ratifying any Unitholder rights plan, distribution reinvestment plan and Unit purchase plan, Unit option plan or other compensation plan contemplated by the Declaration of Trust requiring Unitholder approval, and (vii) where applicable, matters required by securities law, stock exchange rules or other laws or regulations to be submitted to Unitholders, must be passed by an Ordinary Resolution of Unitholders (or as otherwise required by any such laws, regulations or stock exchange rules). The balance of the foregoing matters must be passed by a Special Resolution of the Unitholders.

Subject to the foregoing limitations, a special meeting of Unitholders may be convened at any time and for any purpose by the Trustees and must be convened if requisitioned in writing by the holders of not less than 5% of the Units then outstanding.

A requisition must state in reasonable detail the business proposed to be transacted at the meeting.

Unitholders may attend and vote at all meetings of the Unitholders either in person or by proxy and a proxyholder need not be a Unitholder. Two persons present in person or represented by proxy and representing in total at least 10% of the votes attached to all outstanding Units will constitute a quorum for the transaction of business at all such meetings. At any meeting at which a quorum is not present at the appointed place on the date for which the meeting is called within one-half hour after the time fixed for the holding of such meeting, the meeting, if convened upon the request of the Unitholders, will be terminated (not adjourned), but in any other case, the meeting will stand adjourned to a day not less than 14 days later and to such place and time as chosen by the chair of the meeting, and if at the resumption of such adjourned meeting a quorum is not present, the Unitholders present either in person or by proxy will be deemed to constitute a quorum.

The Declaration of Trust contains provisions as to the notice required and other procedures with respect to the calling and holding of meetings of Unitholders.

Prior to each meeting of Unitholders, the Fund will provide to each Unitholder, together with the notice of the meeting:

- (a) a form of proxy which can be used by a Unitholder to appoint a proxy, who need not be a Unitholder, to attend and act at the meeting on behalf of the Unitholder, in the manner and to the extent authorized by the proxy; and
- (b) all information required by applicable law, including an information circular which shall, amongst other things, set out the identities of, and background information concerning, the proposed trustees of TOT and the proposed directors of Teranet GP and Teranet to be appointed or elected following the election of the Trustees.

Limitation on Non-Resident Ownership

In order for the Fund to maintain its status as a "mutual fund trust" under the Tax Act, the Fund must not be established or maintained primarily for the benefit of non-residents of Canada within the meaning of the Tax Act. Accordingly, the Declaration of Trust provides that at no time may non-residents of Canada and partnerships which are not "Canadian partnerships" for the purposes of the Tax Act be the beneficial owners of more than 49.9% of the Units or the Special Voting Units of the Fund then outstanding. This 49.9% limitation will be applied with respect to the issued and outstanding Units and/or Special Voting Units of the Fund on both a non-diluted basis and a fully diluted basis.

If at any time, the Trustees, in their sole discretion, determine that it is advisable and in the best interests of the Fund to act so that the Fund continues to qualify as a mutual fund trust for purposes of the Tax Act, the Trustees may take one or more actions including the following:

- the Trustees may perform residency searches of mailing address lists for beneficial owners of Units and/or Special Voting Units and take such other steps as specified by the Trustees, at the cost of the Fund, to determine or estimate, to the extent practicable, the residence of the beneficial owners of Units and/or Special Voting Units;
- the Trustees may require declarations as to the jurisdictions in which beneficial owners of Units and/or Special Voting Units are resident or declarations from Unitholders and/or registered holders of Special Voting Units as to whether such Units and/or Special Voting Units are held by or for the benefit of non-residents of Canada or partnerships which are not "Canadian partnerships" for purposes of the Tax Act (collectively, "Non-resident Beneficiaries");
- the Trustees, following the issuance of a public announcement to such effect, may refuse to accept a subscription for Units from or issue or register a transfer of Units or Special Voting Units to a person unless the person provides a declaration that the person is not a non-resident of Canada or a partnership which is not a "Canadian partnership" for purposes of the Tax Act (or, in the discretion of the Trustees, that the person is not a Non-resident Beneficiary) and does not hold his or its Units or Special Voting Units for a Non-resident Beneficiary;
- the Trustees may place such other limits on Unit and Special Voting Unit ownership by non-residents of Canada and partnerships which are not "Canadian partnerships" for purposes of the Tax Act as the Trustees may deem necessary in their sole discretion, including unilaterally altering the limit on non-resident ownership above, to the extent required, in the opinion of the Trustees, to maintain the Fund's status as a mutual fund trust; and
- if, notwithstanding the foregoing, the Trustees, in their sole discretion, determine that further action is required so that the Fund continues to qualify as a mutual fund trust for purposes of the Tax Act, the Trustees may send a notice to such non-resident holders of Units or Special Voting Units, as the case may be, chosen in inverse order to the order of acquisition or registration or in such manner as the Trustees may consider equitable and practicable, requiring them to sell their Units or Special Voting Units or a portion thereof within a specified period of not more than 60 days. If the persons receiving such notice have not sold the specified number of Units or Special Voting Units or provided the Trustees with satisfactory evidence that they are not non-residents of Canada or partnerships which are not "Canadian partnerships" for purposes of the Tax Act and do not hold their Units or Special Voting Units for the benefit of Non-resident Beneficiaries within such period, the Trustees may sell such Units and/or Special Voting Units on behalf of such persons, and in the interim, the voting and distribution rights attached to such Units and/or Special Voting Units shall be suspended. Upon such sale, the affected

holders shall cease to be holders of the Units and/or Special Voting Units so sold and their rights shall be limited to receiving the net proceeds of sale.

Notwithstanding the foregoing, the Trustees may determine not to take any of the actions described above if the Trustees have been advised by legal counsel that the failure to take any of such actions would not adversely impact the status of the Fund as a "mutual fund trust" under the Tax Act or, alternatively, may take such other action or actions as may be necessary to maintain the status of the Fund as a "mutual fund trust" under the Tax Act.

On September 16, 2004, the Minister of Finance (Canada) released draft amendments to the Tax Act relating to the circumstances under which the ownership of units of a trust by non-resident persons and partnerships, other than "Canadian partnerships" (as defined in the Tax Act), would cause the trust to lose its status as a mutual fund trust. Under the draft amendments, a trust would lose its status as a mutual fund trust if the aggregate fair market value of all units issued by the trust held by one or more non-resident persons or partnerships that are not "Canadian partnerships" is more than 50% of the aggregate fair market value of all the units issued by the trust where more than 10% (based on fair market value) of the trust's property is "taxable Canadian property" (as defined in the Tax Act) or certain other types of property. To date, the Department of Finance has not tabled a Notice of Ways and Means Motion which includes these proposed changes and the Department of Finance has indicated that the implementation of the proposed changes would be suspended pending further consultation with interested parties. Depending on the final form of the draft amendments as enacted, it may be necessary to amend the Declaration of Trust to take into account these new restrictions. This amendment may be made without Unitholder approval.

25% Ownership Restriction

The Declaration of Trust provides that at no time during the period that the Exclusive Supplier is owned or controlled, directly or indirectly, by the Fund may any person or any persons acting jointly or in concert with each other beneficially own or control, directly or indirectly, more than 25% of the Units and/or the Special Voting Units (on both a non-diluted basis and a fully diluted basis, including all Units issuable upon the exercise of all exchange or conversion rights attached to the Class B LP Units or other securities exchangeable for Units) without the prior written approval of the Province (the "25% Ownership Restriction"). The Fund Covenant Agreement (as defined hereunder) will provide that in determining whether to grant such approval, the Province will have regard to the reputation, technical expertise and financial capability of such person or persons and the capacity of such person or persons to ensure continued reliable, high quality service delivery by the Exclusive Supplier of the services for which it is responsible under the License Agreement and the Writs License Agreement.

Prior to any subscription for Units or Special Voting Units being accepted or any registration or transfer of Units or Special Voting Units effected or recorded on the register of holders, the Trustees may, in their sole discretion, require the proposed

beneficial owner of such Units or Special Voting Units to submit to the Fund a declaration indicating whether the proposed beneficial owner of such Units or Special Voting Units together with any persons acting jointly or in concert with such proposed beneficial owner would, as a result of the subscription or registration or transfer of Units or Special Voting Units, beneficially own or control, directly or indirectly, more than 25% of the Units and/or the Special Voting Units (on a non-diluted basis or a fully diluted basis, including all Units issuable upon the exercise of all exchange or conversion rights attached to the Class B LP Units or other securities exchangeable for Units).

The Declaration of Trust provides that, if the Trustees become aware, as a result of such declarations or otherwise, that a person or any persons acting jointly or in concert with each other (a "Restricted Person") beneficially owns or controls, directly or indirectly, more than 25% of the Units and/or the Special Voting Units (on a non-diluted basis or a fully diluted basis, including all Units issuable upon the exercise of all exchange or conversion rights attached to the Class B LP Units or other securities exchangeable for Units), or that such a situation is imminent, the Trustees may make a public announcement thereof and notwithstanding any other provision of the Declaration of Trust, the Trustees shall be entitled to use all remedies available including, without limitation, any one or more of the following:

- (i) refuse to accept any subscription for Units or Special Voting Units from a Restricted Person if such subscription, and the resulting issuance of Units or Special Voting Units, would result in the Restricted Person beneficially owning or controlling, directly or indirectly, more than 25% of the Units and/or the Special Voting Units (on a non-diluted basis or a fully diluted basis, including all Units issuable upon the exercise of all exchange or conversion rights attached to the Class B LP Units or other securities exchangeable for Units);
- (ii) refuse, or cause the transfer agent and registrar to refuse, any transfer of Units or Special Voting Units to a Restricted Person if such transfer of Units or Special Voting Units would result in the Restricted Person beneficially owning or controlling, directly or indirectly more than 25% of the Units and/or the Special Voting Units (on a non-diluted basis or a fully diluted basis, including all Units issuable upon the exercise of all exchange or conversion rights attached to the Class B LP Units or other securities exchangeable for Units);
- (iii) restrict the rights of a Restricted Person beneficially owning or controlling, directly or indirectly, more than 25% of the Units and/or the Special Voting Units (on a non-diluted basis or a fully diluted basis, including all Units issuable upon the exercise of all exchange or conversion rights attached to the Class B LP Units or other securities exchangeable for Units) to vote at a meeting of Unitholders or otherwise vote the Units, such that the total number of votes which may be cast by or on behalf of such Restricted Person at such meeting shall not be greater than 25% of the total number of votes which may be cast at such meeting; and

- (iv) repurchase or redeem any Units that are beneficially owned or controlled, directly or indirectly, by a Restricted Person beneficially owning or controlling, directly or indirectly, more than 25% of the Units and/or the Special Voting Units.

The Declaration of Trust provides that if notwithstanding the foregoing, the Trustees, in their sole discretion, determine that a Restricted Person beneficially owns or controls, directly or indirectly, more than 25% of the Units and/or the Special Voting Units (on a non-diluted basis or a fully diluted basis, including all Units issuable upon the exercise of all exchange or conversion rights attached to the Class B LP Units or other securities exchangeable for Units), the Trustees may send a notice to such Restricted Person requiring such Restricted Person to sell a portion of the Units and/or Special Voting Units held by such Restricted Person within a specified period of not more than 30 days. If a Restricted Person receiving such notice has not sold the specified number of Units and/or special voting units or provided the Trustees with satisfactory evidence that it no longer holds, or beneficially owns or controls, directly or indirectly, more than 25% of the Units and/or the Special Voting Units (on a non-diluted basis or a fully diluted basis, including all Units issuable upon the exercise of all exchange or conversion rights attached to the Class B LP Units or other securities exchangeable for Units), within such period, the Trustees may on behalf of such Restricted Person sell such Units and/or Special Voting Units and, in the interim, will suspend the voting and distribution rights attached to or associated with such Units and/or Special Voting Units beneficially owned or controlled, directly or indirectly, by such Restricted Person (other than the right to receive the net proceeds from the sale). Upon such sale, the Restricted Person will cease to be holder of the relevant Units and/or Special Voting Units and its rights shall be limited to receiving the net proceeds of sale upon surrender of the certificates representing such securities. The Trustees may direct the transfer agent and registrar to do any of the foregoing.

The Declaration of Trust provides that no liability will accrue to the Fund or the Trustees if the Units or Special Voting Units of a Restricted Person are sold at a loss to such Restricted Person. Unless and until the Trustees are required to do so under the terms of the Declaration of Trust, the Trustees will not be bound to do or take any proceeding or action with respect to the 25% Ownership Restriction by virtue of the powers conferred on them by the Declaration of Trust. The Trustees will use reasonable commercial efforts to actively monitor the ownership of Units and Special Voting Units for compliance with the provisions of the 25% Ownership Restriction. Except as may be disclosed in filings under relevant securities legislation, the Trustees cannot definitively monitor the ownership of Units and Special Voting Units by a Restricted Person if the Units and Special Voting Units are registered in the name of CDS. The Declaration of Trust provides, therefore, that the Trustees shall not be liable for any violation of the 25% Ownership Restriction.

Amendments to the Declaration of Trust

The Declaration of Trust may be amended or altered from time to time by Special Resolution.

The Trustees may, at their discretion and without the approval of the Unitholders, make certain amendments to the Declaration of Trust, including amendments for the purpose of:

- (i) ensuring continuing compliance and conformity of the Declaration of Trust with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over the Trustees or the Fund;
- (ii) providing additional protection or added benefits for Unitholders and/or holders of the Special Voting Units, in the opinion of counsel to the Trustees;
- (iii) removing any conflicts or inconsistencies in the Declaration of Trust or making minor changes or corrections that are, in the opinion of the Trustees, necessary or desirable and not prejudicial to the Unitholders;
- (iv) making amendments that, in the opinion of the Trustees, are necessary or desirable as a result of changes in taxation laws or policies of any governmental authority having jurisdiction over the Trustees or the Fund; or
- (v) for purposes of ensuring that the Fund continues to qualify as a mutual fund trust under the Tax Act.

Notwithstanding the previous sentence, the Trustees may not amend:

- (i) the 25% Ownership Restriction without the prior written consent of the Province (which consent may be unreasonably withheld by the Province); or
- (ii) the Declaration of Trust in a manner which would result in the Fund failing to qualify as a "mutual fund trust" under the Tax Act.

No amendment shall modify the right to one vote per Unit or Special Voting Unit or reduce the fractional undivided interest in the assets of the Fund represented by any Unit without the consent of the holder of such Unit and no amendment shall reduce the percentage of votes required to be cast for the purpose of the amendment provisions without the consent of the holders of all Units then outstanding.

Exercise of Certain Voting Rights Attached to the Securities of the Teranet Entities

The Declaration of Trust provides that the Fund will not vote, or cause to be voted, securities of any of the Teranet Entities to authorize, among other things:

- (i) any matter that, under the Declaration of Trust, requires or permits the approval of the holders of Units by Special Resolution;
- (ii) any sale, lease, exchange or other distribution or disposition of all or substantially all of the direct or indirect assets of any of the Teranet Entities,

when the assets of the relevant Teranet Entity constitute all or substantially all of the assets of the Fund on a consolidated basis, except: (a) in conjunction with an internal reorganization; (b) pursuant to a good faith charge, pledge, mortgage, lien, security interest or other encumbrance granted by the Teranet Entities over any of the assets of the Teranet Entities pursuant to the credit documents involving the Teranet Entities or otherwise in the ordinary course of business; or (c) pursuant to any guarantee of any obligation of the Teranet Entities, or any charge, mortgage, lien, security interest or other encumbrance, in each case, granted by the Teranet Entities over any of the assets of the Teranet Entities;

- (iii) any amalgamation, arrangement or other merger, combination or capital reorganization of any of the Teranet Entities, when the assets of the relevant Teranet Entity constitute all or substantially all of the assets of the Fund on a consolidated basis, with any other entity, except: (a) in conjunction with an internal reorganization; or (b) the acquisition by any of the Teranet Entities of the securities or assets of another entity;
- (iv) the winding-up or dissolution of any of the Teranet Entities prior to the end of the term of the Fund, when the assets of the relevant Teranet Entity constitute all or substantially all of the assets of the Fund on a consolidated basis, except in connection with an internal reorganization; or
- (v) any material amendment to the constating documents of any of the Teranet Entities to change the authorized units, share capital or partnership interests in a manner which is prejudicial to the Fund or the Unitholders, without the authorization of the Unitholders by Special Resolution.

Term of the Fund

The Fund has been established for a term ending 21 years after the date of death of the last surviving issue of Her Majesty, Queen Elizabeth II, alive on May 8, 2006. On a date selected by the Trustees which is not more than two years prior to the expiry of the term of the Fund, the Trustees are obligated to commence to wind-up the affairs of the Fund so that it will terminate on the expiration of the term. In addition, at any time prior to the expiry of the term of the Fund, the Unitholders may by a Special Resolution require the Trustees to commence the termination, liquidation or wind-up of the affairs of the Fund.

The Declaration of Trust provides that, upon being required to commence the termination, liquidation or winding-up of the affairs of the Fund, the Trustees will give notice thereof to the Unitholders, which notice shall designate the time or times at which Unitholders must surrender their Units for cancellation and the date at which the register of Units will be closed. After the date the register is closed, the Trustees will proceed to wind up the affairs of the Fund as soon as may be reasonably practicable and for such purpose may, subject to any direction to the contrary given in respect of a termination authorized by a resolution of the Unitholders, sell and convert into money the TOT Units, TOT Notes and all other assets comprising the Fund in one transaction or in a series of transactions at public or private sales and do all other acts appropriate to

liquidate the Fund. After paying, retiring, discharging or making provision for payment, retirement or discharge of all known liabilities and obligations of the Fund and providing for indemnity against any other outstanding liabilities and obligations, the Trustees will distribute the remaining part of the proceeds of the sale of the TOT Units, TOT Notes and other assets comprising the Fund together with any cash forming part of the assets of the Fund among the Unitholders in accordance with their pro rata interests. If the Trustees are unable to sell all or any of TOT Units, TOT Notes or other assets which comprise part of the Fund by the date set for termination, the Trustees may distribute the remaining TOT Units, TOT Notes or other assets in specie directly to the Unitholders in accordance with their pro rata interests subject to obtaining all required regulatory approvals.

Take-over Bids

The Declaration of Trust contains provisions to the effect that if a take-over bid is made and not less than 90% of the Units, on a fully diluted basis, (other than Units beneficially owned, or over which control or direction is exercised at the date of the takeover bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Units held by holders who did not accept the take-over bid, on the same terms on which the offeror acquired the Units of holders who accepted the offer.

Information and Reports

In accordance with and subject to applicable securities laws, the Fund will furnish to Unitholders such consolidated financial statements of the Fund (including quarterly and annual consolidated financial statements) and other reports as are from time to time required by applicable law, including such information regarding the Fund as is needed for the completion of Unitholders' tax returns under the Tax Act and equivalent provincial legislation. Prior to each meeting of Unitholders, the Trustees will provide the Unitholders (along with notice of such meeting) all such information as is required by applicable law and the Declaration of Trust to be provided to such holders. Each of the Teranet Entities will undertake to provide the Fund with: (i) a report of any material change that occurs in its affairs in form and content that it would file with applicable regulatory authorities were it a reporting issuer (or equivalent); and (ii) all financial statements (and accompanying management's discussion and analysis) that it would be required to file with applicable regulatory authorities if it were a reporting issuer (or equivalent) under applicable securities laws. All such reports and statements will be provided to the Fund in a timely manner so as to permit the Fund to comply with the continuous disclosure requirements relating to reports of material changes in its affairs and the delivery of financial statements and other materials as required under applicable securities laws.

In future interim and annual filings, the Fund will include relevant information and discussions comparing the Fund's business with Teranet. The information will be provided on a comparative basis in future interim and annual management's discussion and analysis.

The chief executive officer and chief financial officer of the Teranet will perform functions similar to a chief executive officer and chief financial officer in respect of the Fund. As such, the chief executive officer and chief financial officer of the Teranet will execute the certificates required to be filed pursuant to Multilateral Instrument 52-109 — Certification of Disclosure in Issuers' Annual and Interim Filings.

Trustees and trustees, directors and senior officers of the Teranet Entities will be required to file insider reports and comply with insider trading provisions under applicable Canadian securities legislation in respect of trades made by such persons in Units.

In addition, the Fund has undertaken to the securities commissions or other securities regulatory authorities in each of the provinces and territories of Canada that for so long as the Fund is a reporting issuer under applicable securities laws, it will:

- treat Teranet as a subsidiary of the Fund; however, if generally accepted accounting principles prohibit the consolidation of financial information of Teranet and the Fund, for as long as Teranet (including any of its significant business interests) represents significant assets of the Fund, the Fund will provide Unitholders with separate financial statements for Teranet (including information about any of its significant business interests);
- take appropriate measures to require each person who would be an insider of Teranet if Teranet were a reporting issuer to (a) file insider reports about trades in Units (including securities which are exchangeable into Units), and (b) comply with statutory prohibitions against insider trading; and
- annually certify that it has complied with this undertaking, and file the certificate on the System for Electronic Document Analysis and Retrieval (SEDAR) concurrently with the filing of its annual financial statements.

Similarly, Teranet has provided an undertaking to the securities commissions or other securities regulatory authorities in each of the provinces and territories of Canada that for so long as the Fund is a reporting issuer under applicable securities laws, it will:

- permit itself to be treated as a subsidiary of the Fund; however, if generally accepted accounting principles prohibit the consolidation of financial information of Teranet and the Fund, for as long as Teranet (including any of its significant business interests) represents a significant asset of the Fund, Teranet will provide the Fund with separate consolidated financial statements for Teranet (including information about any of Teranet's significant business interests);
- take appropriate measures to require each person who would be an insider of Teranet if Teranet were a reporting issuer to (a) file insider reports in respect of trades in Units (including securities which are

exchangeable into Units), and (b) comply with statutory prohibitions against insider trading; and

- annually certify that it has complied with this undertaking, and provide the certificate to the Fund so that the Fund may file the certificate on SEDAR concurrently with the filing of the Fund's annual financial statements.

Financial Year End

The fiscal year end of the Fund is December 31.

Conflicts of Interest Restrictions and Provisions

The Declaration of Trust contains "conflict of interest" provisions similar to those contained in the CBCA that require each Trustee to disclose in writing to the Fund, as applicable, any interest in a material contract or transaction or proposed material contract or transaction with the Fund other than any Teranet Entity, or the fact that such person is a director or officer of, or otherwise has a material interest in, any person who is a party to a material contract or transaction or proposed material contract or transaction with the Fund. In any case, a Trustee who has made disclosure to the foregoing effect is not entitled to vote on any resolution to approve the material contract or transaction unless the material contract or transaction is one relating primarily to (i) his or her remuneration as a Trustee or officer of the Fund, as applicable, (ii) insurance or indemnity, or (iii) a contract or transaction with the Teranet Entities.

Rights of Unitholders

The rights of the Unitholders are established by the Declaration of Trust. Although the Declaration of Trust confers upon a Unitholder many of the same protections, rights and remedies as an investor would have as a shareholder of a corporation governed by the CBCA, there do exist significant differences.

Many of the provisions of the CBCA respecting the governance and management of a corporation have been incorporated in the Declaration of Trust. For example, Unitholders are entitled to exercise voting rights in respect of their holdings of Units in a manner comparable to shareholders of a CBCA corporation and to elect trustees and auditors. The Declaration of Trust also includes provisions modeled after comparable provisions of the CBCA dealing with the calling and holding of meetings of Unitholders and trustees, the quorum for and procedures at such meetings and the right of investors to participate in the decision making process where certain fundamental actions are proposed to be undertaken. The matters in respect of which Unitholder approval is required under the Declaration of Trust are generally less extensive than the rights conferred on the shareholders of a CBCA corporation, but effectively extend to certain fundamental actions that may be undertaken by the Fund's subsidiary entities. These Unitholder approval rights are supplemented by provisions of applicable securities laws that are generally applicable to issuers (whether corporations, trusts or other entities) that are "reporting issuers" or the equivalent or listed on the TSX. The Declaration of Trust contains "conflict of interest" provisions that serve to protect Unitholders, as described above.

Unitholders do not have recourse to a dissent right under which shareholders of a CBCA corporation are entitled to receive the fair value of their shares where certain fundamental changes affecting the corporation are undertaken (such as an amalgamation, a continuance under the laws of another jurisdiction, the sale of all or substantially all of its property, a going private transaction or the addition, change or removal of provisions restricting (i) the business or businesses that the corporation can carry on, or (ii) the issue, transfer or ownership of shares). As an alternative, Unitholders seeking to terminate their investment in the Fund are entitled to exercise, subject to certain conditions and limitations, their redemption rights provided by the Declaration of Trust, as described under "Redemption at the Option of Unitholders". Unitholders similarly do not have recourse to a statutory oppression remedy similar to that available to shareholders of a CBCA corporation where the corporation undertakes actions that are oppressive, unfairly prejudicial or disregard the interests of securityholders and certain other parties.

Shareholders of a CBCA corporation may also apply to a court to order the liquidation and dissolution of the corporation in those circumstances, whereas Unitholders could rely only on the general provisions of the Declaration of Trust which permit the winding up of the Fund with the approval of a Special Resolution of the Unitholders. Shareholders of a CBCA corporation may also apply to a court for the appointment of an inspector to investigate the manner in which the business of the corporation and its affiliates is being carried on where there is reason to believe that fraudulent, dishonest or oppressive conduct has occurred. The Declaration of Trust allows Unitholders to pass resolutions appointing an inspector to investigate the Trustees' performance of their responsibilities and duties, but this process would not be subject to court oversight or assure the other investigative procedures, rights and remedies available under the CBCA. The CBCA also permits shareholders to bring or intervene in derivative actions in the name of the corporation or any of its subsidiaries, with the leave of a court. The Declaration of Trust does not include a comparable right of the Unitholders to commence or participate in legal proceedings with respect to the Fund.

Fund Covenant Agreement

The Fund and the Province have entered into a covenant agreement (the "Fund Covenant Agreement"), which provides as follows:

- (i) At any time that the Trustees become aware that a Restricted Person beneficially owns or controls more than 25% of the Units and/or Special Voting Units (on a non-diluted basis or a fully diluted basis, including all Units issuable upon the exercise of all exchange or conversion rights attached to the Class B LP Units or other securities exchangeable for Units), the Fund will use commercially reasonable efforts to exercise any or all of the remedies available to the Fund in the Declaration of Trust to ensure that the 25% Ownership Restriction is complied with.
- (ii) The Fund will covenant that in the case of the Fund, it will not knowingly permit any, and in the case of TOT, Teranet GP, Teranet Holdings LP or

Teranet, there will be no treasury sales of securities or convertible securities of the Fund, TOT, Teranet GP, Teranet Holdings LP or Teranet in violation of the 25% Ownership Restriction contained in the Declaration of Trust, the TOT Declaration of Trust, the articles of Teranet GP, the Teranet Holdings LP limited partnership agreement dated June 6, 2006 (the "Teranet Holdings LP Agreement") or the articles of Teranet, respectively (collectively the "25% Ownership Restriction").

- (iii) During the period that Teranet is the Exclusive Supplier and is owned or controlled, directly or indirectly by the Fund, the Fund will (a) cause Teranet to maintain its head office operations in Ontario and to remain incorporated under the laws of Ontario; (b) not amend or cause to be amended the 25% Ownership Restriction contained in the TOT Declaration of Trust, the Teranet Holdings LP Agreement or the articles of Teranet GP; and (c) not amend or cause to be amended the 25% Ownership Restriction, the head office operations provision or the jurisdiction of incorporation provision contained in the articles of Teranet, in each case, without the prior written consent of the Province (which consent may be unreasonably withheld).
- (iv) The Fund will cause each of TOT, Teranet GP, Teranet Holdings LP and Teranet to ensure that the 25% Ownership Restriction applicable to it is complied with.
- (v) The Fund will provide the Province with written notice (the "Notice of Ownership Change") of any proposed transaction of which it becomes aware that requires the prior approval of the Province pursuant to any of the 25% Ownership Restrictions. The Notice of Ownership Change shall provide the Province with full particulars of the proposed transaction and the persons or persons acting jointly or in concert with each other involved. The Province shall confirm to the Fund in writing when the Province has received such full particulars as the Province may reasonably request with respect to the proposed transaction and person or persons involved, whereupon the Province shall have 45 days to provide the Fund with the Province's written decision to approve or not approve the proposed transaction.
- (vi) The Province, in determining whether to grant its approval to any person or persons acting jointly or in concert with each other and beneficially owning or controlling more than 25% of the securities or convertible securities of the Fund, TOT, Teranet GP, Teranet Holdings LP or Teranet, will have regard to the reputation, technical expertise and financial capability of such person or persons and the capacity of such person or persons to ensure continued reliable, high quality service delivery by Teranet of the services for which it is responsible under the License Agreement and the Writs License Agreement.
- (vii) In the event that the Fund proposes to (x) sell all or some portion of the securities or convertible securities of TOT, (y) cause TOT to sell all or some portion of the securities or convertible securities of Teranet GP or Teranet Holdings LP, or (z) cause Teranet Holdings LP to sell all or some portion of

the securities or convertible securities of Teranet, and any such proposed sale requires the prior approval of the Province pursuant to the 25% Ownership Restriction, as a condition of the Province approving such proposed sale, the Province must be satisfied, in its sole discretion, that the purchaser can comply with the 25% Ownership Restriction or that appropriate control mechanisms are agreed to by the purchaser. These control mechanisms will depend on the particular circumstances but may include, if the purchaser is a person which has offered its securities to the public, the purchaser being required to agree that it will maintain Teranet as a separate corporation and that in the event that a sale or issuance of securities of the purchaser occurs in violation of the 25% Ownership Restriction, the purchaser will agree that, after reasonable and good faith efforts are made to satisfy any concerns that the Province may have as to the ownership or control of Teranet, the purchaser may be required to sell its interest in Teranet to a party approved by the Province in accordance with (vi) above. In the event the purchaser is not a person which has offered its securities to the public, these control mechanisms may include contractual arrangements to abide by the 25% Ownership Restriction and for the shareholders of the purchaser to lodge the share certificates representing the shares of the purchaser registered in their names or beneficially owned or controlled, directly or indirectly, by them with a custodian pursuant to a custodian agreement in order to ensure compliance with these provisions.

- (viii) The Fund will cause all TOT unit certificates, Teranet Holdings LP unit certificates, Teranet GP share certificates and Teranet share certificates to note conspicuously on the face thereof a reference to the 25% Ownership Restriction.

Administration Agreement

Each of the Teranet Entities have entered into an administration agreement (the "Administration Agreement"). Under the terms of the Administration Agreement, Teranet provides administrative and support services to the Fund and the other Teranet Entities, including (without limitation): (i) ensuring compliance by the Fund with continuous disclosure obligations under applicable securities legislation; (ii) providing investor relation services; (iii) providing or causing to be provided to Unitholders all information with respect to income taxes; (iv) as requested, assisting in the calling and holding of meetings of the securityholders of such entities and distribute required materials, including notices of meetings and information circulars, in respect of all such meetings; (v) assisting the Trustees in computing distributions to Unitholders; (vi) attending to all administrative and other matters arising in connection with any redemption of Units, TOT Units and TOT Notes; (vii) ensuring compliance with limitations on non-resident ownership and the 25% Ownership Restriction (as defined herein); (viii) attending to all administrative and other matters arising in connection with a note indenture between TOT and CIBC Mellon Trust Company dated June 16, 2006 (the "TOT Note Indenture"), including the payment of interest and principal on the TOT Notes; and (ix) providing general accounting, bookkeeping and administrative services to the Fund and the Teranet Entities.

The Administration Agreement has an initial term of five years, and will be automatically extended for additional five-year terms unless the Fund or Teranet provides the other with 30 days' written notice of such termination prior to expiration of the term (or any extension of the term). The fees payable to Teranet under the Administration Agreement will be a nominal amount plus reimbursement of costs. The Administration Agreement may be terminated in the event of the insolvency or receivership of one of the parties, or in the case of default by one of the parties in the performance of a material obligation of the Administration Agreement (other than as a result of the occurrence of a force majeure event) which is not remedied within 60 days after written notice thereof has been delivered. The Administration Agreement may also be terminated upon 60 days' written notice by the Fund to Teranet.

Exchange Agreement

The Fund, TOT, Teranet GP, Teranet Holdings LP and the holders of the Class B LP Units have entered into an exchange agreement (the "Exchange Agreement"). The Exchange Agreement grants such holders the right to effectively exchange, through a series of steps described in the Exchange Agreement, all or any portion of their Class B LP Units (the "exchange rights"). Each Class B LP Unit will be exchangeable for one Unit, subject to customary anti-dilution adjustments. Exchange rights may be exercised by a holder of a Class B LP Unit at any time at its discretion so long as all of the following conditions have been met: (a) the exchange would not cause the Fund to breach the restrictions respecting non-resident ownership contained in the Declaration of Trust; (b) the Fund is legally entitled to issue the Units in connection with the exercise of the exchange rights; and (c) the person receiving the Units upon the exercise of the exchange rights complies with all applicable securities laws. The exchange procedure may be initiated in the discretion of the holder of a Class B LP Unit by delivering to Teranet Holdings LP, a duly completed exchange notice together with unit certificates representing the Class B LP Units (and Special Voting Units) to be exchanged, duly endorsed in blank for transfer. Teranet Holdings LP will deliver a copy of such exchange notice to TOT and the Fund. Upon receipt of a copy of an exchange notice, TOT will acquire Units from the Fund in consideration for the issuance of TOT Units and Series 1 TOT Notes in the number required to complete the exchange and Teranet Holdings LP will acquire such Units from TOT in consideration for the issuance of Class A LP Units. TOT will deliver to Teranet Holdings LP the requisite number of Units duly endorsed in blank for transfer. Teranet Holdings LP will then cause the Class B LP Units (and Special Voting Units) so tendered for exchange to be cancelled, and deliver to the previous holder of the Class B LP Units that number of Units of the Fund to be received on the exchange.

The contractual hold period on the Class B LP Units ended in December 2006. In the period ended December 31, 2007, approximately 4.1 million Class B LP Units were exchanged for Units.

Book Entry Form and Depository Service

Except as otherwise provided below, Units will be issued in "book entry only" form and must be purchased or transferred through participants ("Participants") in the depository service of CDS, which include securities brokers and dealers, banks and trust companies. Except as described below, no Unitholder is entitled to a certificate or other instrument from the Fund or CDS evidencing that Unitholder's ownership thereof, and no Unitholders will be shown on the records maintained by CDS except through a book entry account of a Participant acting on behalf of such Unitholder. Each Unitholder will receive a customer confirmation of purchase from the registered dealer from which the Unit is purchased in accordance with the practices and procedures of that registered dealer. The practices of registered dealers may vary, but generally customer confirmations are issued promptly after execution of a customer order. CDS will be responsible for establishing and maintaining book entry accounts for its Participants having interests in the Units.

The ability of a beneficial owner of Units to pledge the Units or otherwise take action with respect to such owner's interest therein (other than through a CDS Participant) may be limited due to the lack of physical certificates.

If CDS, or its nominee, notifies the Fund that it is unwilling or unable to continue as depository, or if at any time, CDS, or its nominee, ceases to be a clearing agency or otherwise ceases to be eligible to be a depository and the Fund is unable or does not wish to locate a qualified successor, or if the Fund elects to terminate the book-entry system, certificates will be issued to the beneficial owners of Units.

DESCRIPTION OF TERANET OPERATING TRUST

The TOT Declaration of Trust contains provisions substantially similar to those of the Declaration of Trust. The principal differences between the TOT Declaration of Trust and the Declaration of Trust are those described below. The description below is a summary only, which does not purport to be complete and is qualified in its entirety by reference to the text of the TOT Declaration of Trust and the Declaration of Trust.

General

TOT is an unincorporated, open-ended trust established pursuant to the TOT Declaration of Trust and governed by the laws of Ontario. TOT's activities are restricted to, among other things:

- (i) acquiring, investing in, holding, transferring, disposing of and otherwise dealing with investments in debt, and/or equity securities and/or assets of the other Teranet Entities;
- (ii) temporarily holding cash in interest bearing accounts or short-term certificates of deposit, short-term government debt or investment grade corporate debt;
- (iii) issuing TOT Units and other securities of TOT;

- (iv) issuing debt securities or otherwise borrowing and mortgaging, pledging, charging, granting a security interest in or otherwise encumbering any of its assets as security;
- (v) guaranteeing the payment of any indebtedness, liability or obligation of the Fund or any of the other Teranet Entities or any other person, or the performance of any obligation of the Fund or any of the Teranet Entities;
- (vi) disposing of all or any part of TOT's assets;
- (vii) repurchasing and redeeming securities issued by TOT;
- (viii) satisfying the obligations, liabilities or indebtedness of TOT; and
- (ix) undertaking such other activities, or taking such actions, as are related to or in connection with the foregoing or as are contemplated by the TOT Declaration of Trust or as may be approved by the TOT Trustees from time to time, provided that TOT shall not undertake any activity, take any action, or make any investment that would result in TOT not being considered a "unit trust" for purposes of the Tax Act or the Fund not being considered a "mutual fund trust" for purposes of the Tax Act.

TOT Trustees/Governance

The TOT Declaration of Trust provides that TOT will have a minimum of three and a maximum of ten trustees. The TOT Trustees are to supervise the activities and manage the affairs of TOT. Pursuant to the terms of the TOT Declaration of Trust, a majority of the TOT Trustees must be "resident in Canada" for purposes of the Tax Act, and at no time shall the majority of the TOT Trustees be comprised of persons who are the Trustees. Six of TOT's Trustees are "independent" of the Fund within the meaning of NI 58-101.

The TOT Declaration of Trust provides that, subject to its terms and conditions, the TOT Trustees will have full, absolute and exclusive power, control and authority over the assets of TOT and over the affairs of TOT to the same extent as if the TOT Trustees were the sole and absolute legal and beneficial owners of the assets of TOT and may, in respect of such assets, exercise any and all rights, powers and privileges that could be exercised by a legal and beneficial owner thereof. Subject to such terms and conditions, the TOT Trustees will be responsible for, among other things:

- (i) acting for, voting on behalf of and representing TOT as a unitholder of Teranet Holdings LP;
- (ii) maintaining records and providing reports to the holders of TOT Units ("TOT Unitholders");
- (iii) supervising the activities and managing the investments and affairs of TOT;
- (iv) effecting distributions from TOT to TOT Unitholders and payments of interest and principal on the TOT Notes; and

- (v) effecting the payment of the redemption or repurchase price for TOT Units and TOT Notes.

TOT Trustees will not receive any compensation for acting as trustees of TOT but will be entitled to be reimbursed for reasonable travel and other out of pocket expenses incurred by them in attending meetings or in connection with their services as TOT Trustees.

Exercise of Certain Voting Rights Attached to the Securities of the Teranet Entities

The TOT Declaration of Trust provides that TOT will not vote, or cause to be voted, securities of any of the Teranet Entities to authorize, among other things:

- (i) any sale, lease, exchange or other distribution of all or substantially all of the direct or indirect assets of any of the Teranet Entities, except in certain prescribed circumstances;
- (ii) any amalgamation, arrangement or other merger, combination or capital reorganization of any of the Teranet Entities with any other entity, except: (a) in conjunction with an internal reorganization, or (b) the acquisition by any of the other Teranet Entities of the securities or assets of another entity;
- (iii) the winding-up or dissolution of any of the Teranet Entities prior to the end of the term of the Fund, except in connection with an internal reorganization; or
- (iv) any material amendment to the constating documents of any of the Teranet Entities to change the authorized units, share capital or partnership interests in a manner which is prejudicial to the Fund or the Unitholders, without the approval of the holders of TOT Units by special resolution.

Redemption Right

The TOT Units are redeemable at any time on demand by the holders thereof upon delivery to TOT of a duly completed and properly executed notice requiring TOT to redeem the TOT Units in a form reasonably acceptable to the TOT Trustees, together with the certificates representing the TOT Units to be redeemed and written instructions as to the number of TOT Units to be redeemed. Upon tender of the TOT Units by a holder thereof for redemption, the holder of the TOT Units tendered for redemption will no longer have any rights with respect to such TOT Units other than the right to receive the redemption price for such TOT Units. The redemption price for each TOT Unit tendered for redemption will be equal to:

$$\frac{(A \times B) - C + D}{E}$$

where:

- A = the cash redemption price per Unit calculated as of the close of business on the date the TOT Units were so tendered for redemption by a TOT Unitholder;
- B = the aggregate number of Units outstanding as of the close of business on the date the TOT Units were so tendered for redemption by a TOT Unitholder;
- C = the aggregate unpaid principal amount and accrued interest thereon of any indebtedness held by or owed to the Fund (including the TOT Notes) and the fair market value of any other assets or investments held by the Fund (other than TOT Units, TOT Notes and any other indebtedness of TOT held by or owed to the Fund) as of the close of business on the date the TOT Units were so tendered for redemption by a TOT Unitholder;
- D = indebtedness of the Fund (on an unconsolidated basis) as of the close of business on the date the TOT Units were so tendered for redemption by a TOT Unitholder; and
- E = the aggregate number of TOT Units outstanding held by the Fund as of the close of business on the date the TOT Units were so tendered for redemption by a TOT Unitholder.

TOT is entitled to call for redemption, from time to time and at any time, all or part of the outstanding TOT Units registered in the name of holders thereof (other than the Fund), at the same redemption price as described above for each TOT Unit called for redemption, calculated with reference to the date the TOT Trustees approved the redemption of TOT Units.

The aggregate redemption price payable by TOT in respect of any TOT Units tendered for redemption by the holders thereof during any calendar month will be satisfied, at the option of the TOT Trustees in their sole discretion: (i) in immediately available funds by cheque; (ii) by the issuance to or to the order of the holder whose TOT Units are to be redeemed of such aggregate amount of Series 2 TOT Notes as is equal to the aggregate redemption price payable to such holder of TOT Units rounded down to the nearest \$100, with the balance of any such aggregate redemption price not paid in Series 2 TOT Notes to be paid in immediately available funds by cheque; or (iii) by any combination of funds and Series 2 TOT Notes as the TOT Trustees shall determine in their discretion, in each such case payable no later than the last day of the calendar month following the calendar month in which the TOT Units were tendered for redemption.

Distributions

TOT intends to make monthly cash distributions of its distributable cash. The amount of cash to be distributed monthly per TOT Unit to the TOT Unitholders will be

equal to a *pro rata* share of distributions on or in respect of Class A LP Units owned by TOT and all other amounts, if any, from any other investments from time to time held by TOT received in such period, less amounts set aside for: (i) administrative expenses and other obligations of TOT; (ii) amounts that may be payable by TOT in connection with any cash redemptions or repurchases of TOT Units or repayments of TOT Notes; (iii) satisfaction of its debt service obligations (principal and interest) on the TOT Notes and other indebtedness, if any; (iv) any amount that the TOT Trustees may reasonably consider to be necessary to provide for the payment of any costs or expenses, including any tax liability of TOT, that have been or are reasonably expected to be incurred in the activities and operations of TOT (to the extent that such costs or expenses have not otherwise been taken into account in the calculation of the available distributable cash of TOT) and (v) for reasonable reserves established by the TOT Trustees in their sole discretion.

Such distributions will be payable to holders of record of TOT Units on the last business day of each month and will be paid approximately 15 days following each month end. The cash distributions payable by TOT are intended to be received by the Fund prior to its related cash distribution to Unitholders.

The distribution declared by the TOT Trustees in respect of the month ended December 31 in each year will include such amount in respect of the taxable income and net realized capital gains, if any, of TOT for such year as is necessary to ensure that TOT will not be liable for income taxes under Part I of the Tax Act in such year. Any income of TOT which is unavailable for cash distribution will, to the extent necessary to ensure that TOT does not have any such income tax liability, be distributed to the TOT Unitholders in the form of additional TOT Units. The value of each TOT Unit so issued will be equal to the redemption price thereof. The TOT Declaration of Trust provides that immediately after any pro rata distribution of TOT Units in satisfaction of any non-cash distribution, the number of outstanding TOT Units will be consolidated such that each holder of TOT Units will hold after consolidation the same number of TOT Units as the holder held before the non-cash distribution.

Unit Certificates

TOT Units are not intended to be issued or held by any person other than the Fund, and therefore registration of interests in, and transfer of, the TOT Units will not be made through the book-entry system administered by CDS. Rather, holders of TOT Units will be entitled to receive certificates therefor.

Meetings of Unitholders

An annual meeting of holders of TOT Units shall be held in each year at such time and place as shall be determined by the TOT Trustees for the purpose of electing the TOT Trustees and transacting such other business as the TOT Trustees may determine or may properly be brought before the meeting.

25% Ownership Restriction

The TOT Declaration of Trust contains restrictions on the ownership of TOT Units that are substantially in the form of the 25% Ownership Restriction. Specifically, the TOT Declaration of Trust provides that except for the Fund or any person directly or indirectly wholly-owned by the Fund, at no time during the period that the Exclusive Supplier is owned or controlled, directly or indirectly, by the Fund, may any person or any persons acting jointly or in concert with each other beneficially own or control, directly or indirectly, more than 25% of the TOT Units without the prior written approval of the Province. The TOT Declaration of Trust prohibits the amendment of such ownership restriction without the prior written consent of the Province (which consent may be unreasonably withheld by the Province), and pursuant to the Fund Covenant Agreement, the Fund will agree not to amend or cause to be amended such ownership restriction without the consent of the Province (which consent may be unreasonably withheld).

The TOT Notes

The following is a summary of the material attributes and characteristics of the TOT Notes that are issuable by TOT under the TOT Note Indenture. This summary is qualified in its entirety by reference to the provisions of the TOT Note Indenture, which contains a complete statement of such attributes and characteristics.

Three series of TOT Notes will initially be authorized for issuance under the TOT Note Indenture. Only Series 1 TOT Notes are issued and outstanding, all of which are held by the Fund. Additional Series 1 TOT Notes may be issued by TOT from time to time. Series 2 TOT Notes will be reserved by TOT to be issued exclusively to holders of TOT Units as full or partial payment of the redemption price for TOT Units. Series 3 TOT Notes will be reserved by TOT to be issued exclusively to holders of Series 1 Notes as full or partial payment of the redemption price for Series 1 TOT Notes.

Interest and Maturity

The Series 1 TOT Notes are payable on demand, mature on the 10th anniversary of the date of issuance and bear interest, payable in arrears approximately 15 days following the last day of each calendar month that such Series 1 TOT Note is outstanding. Each Series 2 TOT Note will mature on a date which is no later than the first anniversary of the date of issuance thereof and will bear interest at a market rate to be determined by the TOT Trustees at the time of issuance thereof, payable in arrears approximately 15 days following the last day of each calendar month that such Series 2 TOT Note is outstanding. Each Series 3 TOT Note will mature on the same date as the Series 1 TOT Notes and will bear interest at a market rate to be determined by the TOT Trustees at the time of issuance thereof, payable in arrears within 30 days following the last day of each calendar month that such Series 3 TOT Note is outstanding.

Payment upon Maturity

On maturity, TOT will repay the TOT Notes by paying to the Note Trustee, in cash, an amount equal to the principal amount of the outstanding TOT Notes that have then matured, together with accrued and unpaid interest thereon.

Redemption

The TOT Notes are redeemable (at a redemption price equal to the principal amount thereof plus accrued and unpaid interest), payable in cash or, in the case of a redemption of Series 1 TOT Notes on an *in specie* payment of the Redemption Price for Units, in Series 3 TOT Notes) at the option of TOT prior to maturity.

Subordination/Security

Payment of the principal amount and interest on the TOT Notes is subordinated in right of payment to the prior payment in full of the principal of and accrued and unpaid interest on, and all other amounts owing in respect of, all senior indebtedness of TOT, which is defined as all indebtedness, liabilities and obligations of or guaranteed by TOT which, by the terms of the instrument creating or evidencing the same, is or will be expressed to rank in right of payment in priority to the indebtedness evidenced by the TOT Note Indenture including, without limitation, the Credit Facilities and any series of bonds issued under the Amended Trust Indenture, but excluding any indebtedness to trade creditors. TOT may also designate in writing from time to time any other obligations or liabilities or class thereof, as senior indebtedness. The TOT Note Indenture provides that upon any distribution of the assets of TOT in the event of any dissolution, liquidation, reorganization or other similar proceedings relative to TOT, the holders of all such senior indebtedness will be entitled to receive payment in full before the holders of the TOT Notes are entitled to receive any payment.

The TOT Notes will be unsecured debt obligations of TOT.

Default

The TOT Note Indenture provides that any of the following shall constitute an Event of Default (as defined in the TOT Note Indenture): (i) default in repayment of the principal amount of any of the TOT Notes when the same becomes due and payable and the continuation of such default for a period of 10 business days; (ii) subject to the terms of any senior indebtedness restricting the payment of interest and any waiver of interest by the Trustees, the failure to pay the interest obligations under any of the TOT Notes, if and when issued, and continuation of such default for a period of 90 days; (iii) certain events of dissolution, liquidation, bankruptcy, insolvency or other similar proceedings relative to TOT; or (iv) default in the observance or performance by TOT of any other covenant or condition of the TOT Note Indenture or the TOT Notes and the continuance of such default for a period of 30 days after notice in writing has been given by the Note Trustee to TOT specifying such default and requiring TOT to rectify the same. As the TOT Notes are one of the Fund's principal investments, any default under the TOT Note Indenture could adversely affect the ability of the Fund to pay distributions to its Unitholders.

DESCRIPTION OF TERANET HOLDINGS LP

The following is a summary of the material attributes and characteristics of Teranet Holdings LP and the LP Units that are issued pursuant to the Teranet Holdings LP Agreement. This summary is qualified in its entirety by reference to the provisions of the Teranet Holdings LP Agreement, which contains a complete description of those attributes and characteristics.

General

Teranet Holdings LP is a limited partnership established under the laws of Ontario. The general partner of Teranet Holdings LP is Teranet GP. Teranet Holdings LP is the sole shareholder of Teranet.

Capitalization

Teranet Holdings LP may issue an unlimited number of Class A LP Units and Class B LP Units to any person. The Teranet Holdings LP Agreement authorizes Teranet GP to cause Teranet Holdings LP to issue additional Class A LP Units and Class B LP Units for any consideration and on any terms and conditions as are established by Teranet GP.

Class B LP Units will be indirectly exchangeable for Units in accordance with the terms of the Exchange Agreement. The holders of Class A LP Units will be entitled to receive notice of, and to attend and vote at, all meetings of holders of LP Units except as required by law. The Class B LP Units will be non-voting except as required by law and in the limited circumstances in which the rights of a holder of Class B LP Units may be affected. The Class B LP Units will be accompanied by Special Voting Units that will entitle the holder to receive notice of, to attend and to vote at all meetings of Unitholders of the Fund (except in respect of Class B LP Units previously exchanged pursuant to the Exchange Agreement).

Distributions

Teranet Holdings LP will distribute to limited partners of record holding Class A LP Units and Class B LP Units, on the last day of each month, available distributable cash as set out below. Distributions will be made approximately 15 days following the end of each month. Distributions on the Class A LP Units are intended to be received by TOT prior to its related payments and distributions to the Fund. Teranet Holdings LP may, in addition, make a distribution at any other time. Teranet Holdings LP will make nominal distributions to Teranet GP each year.

Distributable cash of Teranet Holdings LP represent, in general, all of Teranet Holdings LP's cash, after: satisfaction of its debt service obligations (principal and interest) under credit facilities or other agreements with third parties; satisfaction of general and administrative expenses and other expense obligations; and retaining reasonable reserves for administrative and other expense obligations and reasonable reserves as may be considered appropriate by Teranet GP.

Holders of Class B LP Units are entitled to receive distributions on each such unit equal to the amount of the distribution declared on each Unit. Holders of Class A LP Units will be entitled to receive distributions of the balance of available distributable cash. The record date and payment date for any distribution declared on the Class B LP Units is the same as those for Units.

Allocation of Net Income and Losses

The income or loss for tax purposes of Teranet Holdings LP for a particular fiscal year will be allocated to each partner in an amount calculated by multiplying the total income or loss for tax purposes to be allocated to the partners by a fraction, the numerator of which is the sum of the cash distributions paid or payable to that partner with respect to that fiscal year and the denominator of which is the total amount of the cash distributions paid or payable to all partners with respect to that fiscal year. The amount of income allocated to a partner may exceed or be less than the amount of cash distributed by Teranet Holdings LP to that partner.

Income and loss of Teranet Holdings LP for accounting purposes will be allocated to each partner in the same proportion as income or loss is allocated for tax purposes.

The fiscal year end of Teranet Holdings LP is December 31.

Limited Liability

Teranet Holdings LP will operate in a manner as to ensure to the greatest extent possible the limited liability of the limited partners. Limited partners may lose their limited liability in certain circumstances. If limited liability is lost by reason of the negligence, wilful misconduct or fraud of Teranet GP in performing its duties and obligations under the Teranet Holdings LP Agreement, Teranet GP will agree to indemnify the limited partners against all claims arising from assertions that their liability is not limited as intended by the Teranet Holdings LP Agreement. However, since Teranet GP will have no significant assets or financial resources, this indemnity may have nominal value.

Transfer of LP Units

The Class A LP Units are not transferable, except in certain limited circumstances.

Matters Requiring Special Approval of Holders of Class A LP Units

The Teranet Holdings LP Agreement provides that a number of matters must be approved by special resolution of the holders of Class A LP Units, including:

- remove Teranet GP as general partner of Teranet Holdings LP where Teranet GP has committed a material breach of the Teranet Holdings LP Agreement;
- appoint a new general partner of Teranet Holdings LP to replace Teranet GP;

- approve a transfer by Teranet GP of its interest in Teranet Holdings LP;
- approve a sale, lease or other disposition of all or substantially all of the assets of Teranet Holdings LP or Teranet except in connection with an internal reorganization of Teranet Holdings LP or Teranet;
- amend or repeal any special resolution previously passed by the holders of Class A LP Units;
- amend the Teranet Holdings LP Agreement, subject to the exceptions described below under "Amendment";
- dissolve Teranet Holdings LP in accordance with the provisions of the Teranet Holdings LP Agreement; and
- dissolve Teranet except in connection with an internal reorganization.

25% Ownership Restriction

The Teranet Holdings LP Agreement contains restrictions on the ownership of the LP Units that are substantially in the form of the 25% Ownership Restriction. Specifically, the Teranet Holdings LP Agreement provides that except for the Fund, TOT or any person directly or indirectly wholly-owned by the Fund or TOT, at no time during the period that the Exclusive Supplier is owned or controlled, directly or indirectly, by the Fund, may any person or any persons acting jointly or in concert with each other beneficially own or control, directly or indirectly, more than 25% of the LP Units without the prior written approval of the Province. The Teranet Holdings LP Agreement prohibits the amendment of such ownership restriction without the prior written consent of the Province (which consent may be unreasonably withheld), and pursuant to the Fund Covenant Agreement, the Fund will agree not to amend or cause to be amended such ownership restriction without the consent of the Province (which consent may be unreasonably withheld).

Amendment

The Teranet Holdings LP Agreement may be amended with approval by special resolution of the holders of LP Units, except for certain amendments, which require unanimous approval of holders of LP Units, including: (i) altering the ability of the limited partners to remove Teranet GP involuntarily; (ii) changing the liability of any limited partner or class of limited partners; (iii) changing the right of a limited partner or class of limited partners to vote at any meeting; (iv) changing Teranet Holdings LP from a limited partnership to a general partnership; or (v) allowing any limited partner to take an active part in the business of Teranet Holdings LP or to exercise control over or management of the business of Teranet Holdings LP.

Notwithstanding the foregoing,

- no amendment which would adversely affect the rights and obligations of Teranet GP, as general partner, may be made without its consent;

- no amendment which would adversely affect the rights and obligations of any particular partner without similarly affecting the rights and obligation of all other partners may be made without the consent of that partner; and
- Teranet GP may make amendments to the Teranet Holdings LP Agreement to reflect: (i) a change in the name of Teranet Holdings LP or the location of the principal office of Teranet Holdings LP or the registered office of Teranet Holdings LP; (ii) a change in the governing law of Teranet Holdings LP to any other province of Canada; (iii) admission, substitution, withdrawal or removal of limited partners in accordance with the Teranet Holdings LP Agreement; (iv) a change that, as determined by Teranet GP, is reasonable and necessary or appropriate to qualify or continue the qualification of Teranet Holdings LP as a limited partnership in which the limited partners have limited liability under applicable law; (v) a change that, as determined by Teranet GP, is reasonable and necessary or appropriate to enable Teranet Holdings LP to take advantage of, or not be detrimentally affected by, changes in the Tax Act or other taxation laws; (vi) a change to amend or add any provision, or to cure any ambiguity or to correct or supplement any provisions contained in the Teranet Holdings LP Agreement which may be defective or inconsistent with any other provision contained in the Teranet Holdings LP Agreement; or (vii) a change to ensure that Teranet Holdings LP is in compliance with the 25% Ownership Restriction.

Meetings

Teranet GP may call meetings of partners and will be required to convene a meeting on receipt of a request in writing of the holder(s) of not less than 10% of the outstanding Class A LP Units. Each holder of Class A LP Units is entitled to one vote for each Class A LP Unit held. A quorum at a meeting of partners will consist of one or more persons holding not less than 10% of the outstanding Class A LP Units present in person or by proxy. Notwithstanding that the Class B LP Units will be non-voting, holders of Class B LP Units shall be permitted to attend meetings of the partners.

DESCRIPTION OF TERANET GP

General

Teranet GP is an Ontario corporation wholly owned by the Fund and acts as the general partner of Teranet Holdings LP. Consequently, officers and directors of Teranet GP oversee and supervise the day-to-day operations of Teranet Holdings LP. The articles of Teranet GP provide that at no time shall the majority of the directors of Teranet GP be comprised of persons who are Trustees.

Functions and Powers of Teranet GP

Teranet GP, through its board of directors, has exclusive authority to manage the business and affairs of Teranet Holdings LP, to make all decisions regarding the business of Teranet Holdings LP, and to bind Teranet Holdings LP including having considerable discretion over the distribution policy of Teranet Holdings LP. Teranet GP is to exercise its powers and discharge its duties honestly, in good faith and in the best interests of Teranet Holdings LP and to exercise the care, diligence and skill of a reasonably prudent person in comparable circumstances. The authority and power vested in Teranet GP to manage the business and affairs of Teranet Holdings LP includes all authority necessary or incidental to carry out the objects, purposes and business of Teranet Holdings LP, including, without limitation, the ability to engage agents to assist Teranet GP to carry out its management obligations and administrative functions. Teranet GP cannot dissolve Teranet Holdings LP or wind up Teranet Holdings LP's affairs except in accordance with the provisions of the Teranet Holdings LP Agreement.

25% Ownership Restriction

The articles of Teranet GP contain restrictions on the ownership of the securities of Teranet GP that are substantially in the form of the 25% Ownership Restriction. Specifically, the articles of Teranet GP provide that except for the Fund, TOT or any person directly or indirectly wholly owned by the Fund or TOT, at no time during the period that the Exclusive Supplier is owned or controlled by the Fund, may any person or any persons acting jointly or in concert with each other beneficially own or control, directly or indirectly, more than 25% of the securities of Teranet GP without the prior written approval of the Province. The articles of Teranet GP prohibit the amendment of such ownership restriction without the prior written consent of the Province (which consent may be unreasonably withheld), and pursuant to the Fund Covenant Agreement, the Fund will agree not to amend or cause to be amended such ownership restriction without the consent of the Province (which consent may be unreasonably withheld).

Withdrawal or Removal of Teranet GP

Teranet GP may resign on not less than 180 days' written notice to the limited partners of Teranet Holdings LP, provided that Teranet GP will not resign if the effect would be to dissolve Teranet Holdings LP.

Teranet GP may not be removed as general partner of Teranet Holdings LP unless: (i) Teranet GP has committed a material breach of the Teranet Holdings LP Agreement, which breach has continued for 30 days after notice, and that removal is also approved by special resolution of the holders of Class A LP Units; or (ii) a resolution has been passed by the directors or shareholders of Teranet GP in connection with the bankruptcy, dissolution, liquidation or winding-up of Teranet GP, or Teranet GP commits certain other acts of bankruptcy or ceases to be a subsisting entity, provided that certain other conditions are satisfied, including a requirement that a successor general partner with the same ownership and governance structure at the

relevant time agrees to act as general partner under the Teranet Holdings LP Agreement.

DESCRIPTION OF TERANET

General

Teranet is a corporation amalgamated under the laws of Ontario. The share capital of Teranet consists of an unlimited number of common shares. Teranet Holdings LP owns all of the outstanding common shares of Teranet. Each common share will entitle the holder thereof to one vote at any meeting of the shareholders of Teranet. The Declaration of Trust provides that the Trustees shall, in their capacity as holders of the shares of Teranet GP, vote the Teranet GP shares in such a manner as to provide that Teranet GP shall vote the shares of Teranet held by Teranet Holdings LP to elect as directors of Teranet the persons who are appointed as the TOT Trustees provided however, that if the Unitholders nominate other persons to serve as directors of Teranet, the Trustees shall, in their capacity as holders of the shares of Teranet GP, vote the Teranet GP shares in such a manner as to provide that Teranet GP shall vote the shares of Teranet held by Teranet Holdings LP in favour of such nominees to serve as directors of Teranet as have been nominated by the Unitholders. The Teranet Holdings LP Agreement also provides that Teranet GP shall vote the shares of Teranet held by Teranet Holdings LP in favour of such nominees to serve as directors of Teranet as have been nominated by the Unitholders. The Teranet articles provide that so long as Teranet is an Exclusive Supplier to the Province, (a) the head office operations of Teranet shall at all times be within the Province of Ontario; and (b) Teranet shall continue to be incorporated under the laws of Ontario. The articles of Teranet prohibit the amendment of such provisions without the prior written consent of the Province (which consent may be unreasonably withheld), and pursuant to the Fund Covenant Agreement, the Fund will agree not to amend or cause to be amended such head office operations and jurisdiction of incorporation provisions of Teranet without the consent of the Province (which consent may be unreasonably withheld). The Teranet articles also provide that at no time shall a majority of the directors of Teranet be comprised of persons who are Trustees.

Distributions

The directors of Teranet have a policy to make monthly cash distributions of its cash available for distribution, to the extent determined prudent by the directors of Teranet, by means of distributions on its securities. Cash available for distribution will consist generally of monthly net cash receipts less any estimated cash amounts required for debt service obligations, operating lease expenses, taxes, long-term incentive awards, net capital expenditures and reserves (including amounts on account of capital expenditures, reserves to stabilize distribution and reserves for taxes) and such other amounts as may be considered appropriate by the board of directors of Teranet. Such cash distributions, together with interest payments of Teranet's indebtedness to Teranet Holdings LP, are currently targeted to equal no more than 95% of Teranet's cash available for distribution (before payment of such interest), to the extent determined prudent by the directors of Teranet.

25% Ownership Restriction

The articles of Teranet contain restrictions on the ownership of the securities of Teranet that are substantially in the form of the 25% Ownership Restriction. Specifically, the articles of Teranet provide that except for the Fund, TOT, Teranet GP, Teranet Holdings LP or any person directly or indirectly wholly owned by the Fund, TOT, Teranet GP or Teranet Holdings LP, at no time during the period that the Exclusive Supplier is owned or controlled, directly or indirectly, by the Fund, may any person or any persons acting jointly or in concert with each other beneficially own or control, directly or indirectly, more than 25% of the securities of Teranet without the prior written approval of the Province. The articles of Teranet prohibit the amendment of such ownership restrictions without the prior written consent of the Province (which consent may be unreasonably withheld), and pursuant to the Fund Covenant Agreement, the Fund will agree not to amend or cause to be amended such ownership restriction without the consent of the Province (which consent may be unreasonably withheld).

MARKET FOR SECURITIES

Trading Price and Volume

The Units are listed and posted for trading on the TSX under the symbol "TF.UN". The following table sets forth information relating to the trading of the Units on the TSX for the months indicated.

Month	High (C\$)	Low (C\$)	Volume
June (16 – 30) ⁽¹⁾	9.86	9.65	10.95 million
July 2006	10.59	9.96	8.42 million
August 2006	10.59	10.45	6.95 million
September 2006	10.70	10.25	24.33 million
October 2006	10.57	10.40	9.54 million
November 2006	9.15	8.20	13.97 million
December 2006	8.97	8.51	7.39 million
January 2007	9.20	8.95	10.53 million
February 2007	9.96	9.36	6.76 million
March 2007	9.99	9.39	6.93 million
April 2007	9.97	9.21	16.40 million
May 2007	9.98	9.62	8.60 million
June 2007	10.00	9.47	11.75 million

July 2007	10.44	9.76	9.67 million
August 2007	10.00	9.56	5.16 million
September 2007	10.25	9.89	8.53 million
October 2007	10.10	9.84	4.35 million
November 2007	10.35	9.87	5.50 million
December 2007	10.59	10.11	4.04 million

(1) The Units commenced trading on the TSX on June 16, 2006 upon the completion of the Fund's IPO.

The price of the Units as quoted by the TSX at the close of business on December 31, 2007 was C\$10.20 and on March 4, 2008 was C\$9.34.

TRUSTEES, DIRECTORS AND OFFICERS

The following table sets out for each Trustee, TOT Trustee and/or director of Teranet GP and Teranet and each of the senior officers of Teranet, the person's name, province or state and country of residence, position(s) with the Fund and/or Teranet as the case may be, principal occupation and period of service. As at December 31, 2007, the Trustees and directors and officers of Teranet as a group owned, directly and indirectly, or had control or direction over, approximately 1.8 million Units, representing approximately 1% of the outstanding Units.

<u>Name and province/state and country of Residence</u>	<u>Position(s)</u>	<u>Principal Occupation</u>	<u>Trustee/ Director Since</u>
Jon N. Hagan ⁽¹⁾ Ontario, Canada	Trustee, TOT Trustee and Director	Consultant, JN Hagan Consulting, and Corporate Director	June 16, 2006
David H. Tsubouchi ⁽³⁾ Ontario, Canada	Trustee, TOT Trustee and Director	Counsel, Fraser Milner Casgrain LLP	June 16, 2006
John L. Ronson ^{(1) (2)} Ontario, Canada	Trustee, TOT Trustee and Director	Partner, Courtyard Group Ltd.	June 16, 2006
Stuart Angus ^{(1) (3) (4)} Ontario, Canada	TOT Trustee and Director	Executive Partner, McLean Watson Capital Inc.	June 16, 2006
Ronald M. Meade ^{(2) (4)} Nassau, Bahamas	TOT Trustee and Director	Retired	June 16, 2006
D.R. (Rick) Reid ^{(2) (3) (4)} Ontario, Canada	TOT Trustee and Director	President, Tech Data Canada Corporation	June 16, 2006
Aristides M. S. Kaplanis ⁽⁵⁾ Ontario, Canada	TOT Trustee, Director, President and Chief Executive Officer	President and Chief Executive Officer, Teranet	June 16, 2006
Brian S. Kyle Ontario, Canada	Vice President and Chief Financial Officer	Vice President and Chief Financial Officer, Teranet	
Bonnie L. Foster Ontario, Canada	Vice President	Vice President, Teranet	
Victor W. Ford Ontario, Canada	Senior Vice President	Senior Vice President, Teranet	
Michael Sliwinski Ontario, Canada	Vice President	Vice President, Teranet	
Pamela D. Fruitman Ontario, Canada	Secretary	General Counsel and Secretary, Teranet	

Notes:

- (1) Member of the audit committee.
- (2) Member of the human resources and compensation committee.
- (3) Member of the corporate governance committee.
- (4) Director of Teranet and Teranet GP, respectively.
- (5) Director and officer of Teranet and Teranet GP, respectively.

The principal occupations within the past five years of each of the persons set out above are disclosed in the brief biographies set forth below.

Jon N. Hagan, Trustee, TOT Trustee and Director. Mr. Hagan has over 35 years of general and financial management experience. Mr. Hagan is currently a principal of JN Hagan Consulting where he has been specializing in assistance in real estate capital markets. Mr. Hagan also serves as a director on the board of Bentall Capital Partnership Limited (where he is Chairman of the Audit Committee and is a member of the Human Resources and Corporate Governance Committees) and First Capital Realty Inc. (where he is a member of the Audit Committee and the Executive Committee). He has served as a trustee of Sunrise Senior Living Real Estate Investment Trust (where he was a member of the Investment Committee and was Chair of the Audit Committee), as a director of the Mills Corporation (where he was a member of the Audit Committee), director of the Advisory Board of Southwest Properties Limited and an advisor to Jones Brown Inc. Mr. Hagan's previous experience also includes serving as a director on the board of the Canadian Division of the International Council of Shopping Centres and on the board of the Canadian Stage Company, including membership on the Finance and Audit Committees, and as Executive Vice President and Chief Financial Officer of Cadillac Fairview Corporation. Mr. Hagan earned a B.Sc. in Mechanical Engineering from the University of Saskatchewan and became a Chartered Accountant in British Columbia in 1971. He is a member of the Institute of Chartered Accountants (Ontario and British Columbia).

David H. Tsubouchi, Trustee, TOT Trustee and Director. Mr. Tsubouchi is currently counsel at Fraser Milner Casgrain LLP. Mr. Tsubouchi is also currently a member of the Board of Advisors of Baymount Inc and on the Board of Directors of Hitachi Canada Limited, Star Navigation Systems Group Ltd. and Prime City One Capital Corp. Mr. Tsubouchi served for six years on the Town of Markham Council during which time he was appointed Chair of Planning and Development. Mr. Tsubouchi was elected to the Ontario Legislature in 1995 and re-elected in 1999. He has held various positions in cabinet, including Solicitor General, Chair of the Management Board of Cabinet, Minister of Culture and Minister of Consumer and Commercial Relations. Mr. Tsubouchi has been recognized by many organizations: Bruce Bryden Award for Leadership (York University), The Queen's Golden Jubilee Award, OSPCA Award of Merit, Honorary Aboriginal Chief of Police, Canadian Horse Racing Industry Award of Recognition, Ontario Grape Growers Award of Merit, Honorary Patron of the Gardiner Museum of Ceramics and the Japanese Cultural Centre Award for Leadership, to name a few. He received his B.A. from York University in 1972, his LL.B. from Osgoode Hall Law School in 1975 and in 2006 received his LL.D. from Assumption University in Windsor.

John L. Ronson, Trustee, TOT Trustee and Director. Mr. Ronson has over 25 years of progressive management experience in health care, business, organizational consulting, law and government. Currently, Mr. Ronson is a partner at Courtyard Group Ltd., an international health care consulting company co-founded by Mr. Ronson. Mr.

Ronson is also currently a director of the Toronto Waterfront Revitalization Corporation (where he is Chairman of the Finance and Risk Management Committee and a member of the Audit Committee). Previously, Mr. Ronson was a partner at Quantum Solutions, an organizational consulting company, consulted for numerous health care organizations, governments and commissions across Canada and internationally, was a partner at Blake, Cassels & Graydon LLP, and served as Executive Assistant/Chief of Staff to the Minister of Health for the Province of Ontario and as a member of the Ministry's Executive and Management Committees. Mr. Ronson completed a B.A. and LL.B. at Queen's University.

Stuart Angus, TOT Trustee and Director. Mr. Angus has over 25 years of management experience and a proven ability to lead developing high technology businesses. Currently, Mr. Angus serves as Executive Partner of McLean Watson Capital Inc. Previously, Mr. Angus was President and Chief Executive Officer of Earth Tech Canada Inc., Proctor & Redfern Ltd., and Hooper and Angus Associates Ltd. Proctor & Redfern was chosen by Arthur Andersen & Co. as one of Canada's best managed private companies. Mr. Angus is currently a director of CAA South Central Ontario, where he has served on the Investment, and on the Governance and Nominating Committees. He has previously served on the Board of the Toronto Rehab Hospital, and numerous private corporations. Mr. Angus has been a member of Ontario's Premiers Council, as well as the Canadian Council for Chief Executives. Mr. Angus earned an honours Ba.Sc. from the University of Toronto in 1975.

Ronald M. Meade, TOT Trustee and Director. Mr. Meade became Chairman of Teranet Inc. in December 1993 and has more than 40 years professional experience in the financial sector. He began his career in investment management and venture capital in 1969, founding Altamira Management Ltd. and Innocan Investments Ltd., and subsequently as part of the team that founded Miralta Capital Corp. in 1984. Prior to these years, Mr. Meade worked in the securities industry at Greenshields Incorporated and later as Vice President, International Trust Company, an affiliate of Citibank. His business experience included Chairman and CEO of Altamira Management Ltd., Chairman of IPC Financial Network Inc. and President of Biomira International Inc. Mr. Meade earned a diploma certificate at Heidelberg University, Germany and a B.A. in Economics at McGill University.

D.R. (Rick) Reid, TOT Trustee and Director. Mr. Reid has over 30 years experience in sales and general management. Currently, Mr. Reid serves as President of Tech Data Canada Corporation, a subsidiary of Tech Data Corporation, a broad line technology distributor specializing in logistics, credit management and sales. Mr. Reid's previous experience includes serving SHL Systemhouse Inc. as Senior Vice President & General Manager, Central Canada Region, Crowntek Business Centres Inc. as Vice President, Central Region, and Unisys Canada Inc. as Vice President and General Manager, Ontario Region. Mr. Reid earned a Bachelor of Mathematics degree in Computer Science and a minor in Statistics from the University of Waterloo.

Aristides M. Kaplanis, TOT Trustee, Director, President and Chief Executive Officer. Mr. Kaplanis assumed his position with Teranet in July 1991 and has more than 30 years professional experience in the technology sector. Mr. Kaplanis' previous

experience includes serving as Executive Vice President and General Manager of Unisys Corporation Canada and President of Cemcorp International, a Unisys joint venture. Mr. Kaplanis earned an honours B.A. in Economics and Communications from Heidelberg College in Ohio and completed advanced studies in Business Administration at the University of Akron and the Wharton School of Business. He has been awarded an honorary Doctor of Laws degree from, is honorary Chancellor of and an adjunct professor in business ethics at, Assumption University of Windsor, Ontario and is the former Chair of the St. Joseph's Health Centre Board of Directors. In addition, he received the Queen's Golden Jubilee Medal for making a significant contribution to Canada, the community and fellow Canadians.

Brian S. Kyle, Vice President and Chief Financial Officer. Mr. Kyle joined Teranet in May 2002 and assumed the role of Vice President, Finance and Chief Financial Officer in April 2004. In this position and as a corporate officer of Teranet, Mr. Kyle is responsible for the controllership, treasury, tax, audit, planning and corporate administration functions for Teranet and its affiliated companies. Mr. Kyle brings over 15 years of general and financial management experience to Teranet gained from various senior financial positions held at large publicly traded Canadian companies in the aerospace and consumer goods sectors, entrepreneurial companies in the e-commerce sector and from having worked with leading management consulting firms. Most recently, Mr. Kyle held the position of Director, Treasury Services for CAE Inc., a publicly traded company on both the Toronto and New York stock exchanges. Mr. Kyle holds a masters degree in Business Administration from Queen's University School of Business and is a member of the Society of Management Accountants of Ontario since 1991.

Bonnie Foster, Vice President. Ms. Foster has been with Teranet since November 1991. As Vice President of Corporate Communications and Government Relations, she oversees investor relations, corporate marketing communications and media relations, and represents Teranet's views as liaison with the provincial government. She is also responsible for providing customer service for all lines of business. She was previously Vice President of Projects Implementation which included responsibility for all aspects of the implementation of the automated system. Prior to Teranet, Ms. Foster was manager of the Ontario Ministry of Consumer and Commercial Relations, Strategic Alliance Office where she coordinated the activities of the team doing the research, policy development and the negotiations leading to the creation of Teranet. This position culminated a 16-year career with the Ontario Government.

Victor W. Ford, Senior Vice President. Mr. Ford joined Teranet in February 1997. Mr. Ford's primary focus is on business development and strategic alliances with emphasis on developing additional relationships with all market segments. This includes legal sector, financial services, land professional sectors as well as municipal, provincial and international governments. Mr. Ford has spent over 30 years in the information technology industry primarily in Canada. Prior to joining Teranet, Mr. Ford held Chief Financial Officer positions at Unisys Asia/Canada and AT&T/NCR Canada. His wide range of experience includes strategic planning, business development and mergers and acquisitions.

Michael Sliwinski, Vice President. Mr. Sliwinski joined Teranet in 1997 as Vice President, Information Services and remains in this position today. Mr. Sliwinski has 30 years experience in the information technology industry, and is a graduate of Syracuse University. Mr. Sliwinski's career began with Burroughs Corporation in 1977. While at Burroughs, and subsequently with Unisys, Mr. Sliwinski held a number of increasingly responsible support positions, primarily within the Financial and Public Services market sectors. These positions included diverse development and marketing/sales support roles - such as Director of Operations for Unisys' Application Development Center in Norcross, Georgia.

Pamela D. Fruitman, General Counsel and Secretary. Ms. Fruitman is General Counsel and Secretary of Teranet and has practiced law for over 22 years with most of that time spent working as an in-house lawyer. Ms. Fruitman came to Teranet in February 1999 after holding the position of General Counsel at 2 companies in the multimedia/entertainment business and practicing law with a major Toronto law firm. Ms. Fruitman earned her Bachelor of Laws and Masters of Business Administration degrees as part of the Joint LL.B./M.B.A. Program at York University, after completing her B.A. at the same institution. Ms. Fruitman was also a representative on the Board of Governors of York University for 4 years. Ms. Fruitman is on the Board of Directors and a member of the Canadian IT Law Association (IT.CAN), a member of the Law Society of Upper Canada, the Ontario Bar Association and a number of other associations.

Cease Trade Orders, Bankruptcies, Penalties and Sanctions

No Trustee, TOT Trustee, or director of Teranet or Teranet GP is, or within the ten years prior to the date hereof has been, a trustee, director or executive officer of any entity or company (including the Fund) that, while that person was acting in that capacity, (i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days; (ii) was subject to an event that resulted, after the director or executive officer ceased to be a trustee, director or executive officer, in the entity or company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days; or (iii) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

No Trustee, TOT Trustee, or director of Teranet or Teranet GP has, within the ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the trustee, director, officer or shareholder.

No Trustee, trustee of TOT, or director of Teranet and Teranet GP is, as at the date hereof, or has been subject to (i) any penalties or sanctions imposed by a court

relating to securities legislation with a securities authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

To the best of the Fund's knowledge, and other than as disclosed in this annual information form, there are no known existing or potential conflicts of interest between the Fund and any Trustee, or director or officer of Teranet, except that certain Trustees and directors of Teranet may serve as trustees, directors or officers of other public companies and therefore it is possible that a conflict may arise between their duties as a Trustee or director or officer of Teranet and their duties as a trustee, director or officer of such public company.

PROMOTER

Teramira took the initiative in organizing the business and affairs of the Fund and accordingly may be considered to be the promoter of the Fund within the meaning of applicable securities legislation.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Management is not aware of any litigation outstanding, threatened or pending as of the date hereof by or against the Fund or any of the Teranet Entities or their respective subsidiaries that would be material to a purchaser of Units other than the matter relating to the exercise of dissent rights by a shareholder of Teramira holding approximately 8% of the outstanding common shares of Teramira to the special resolutions passed by the Teramira shareholders on April 11, 2006. See "Risk Factors - Risks Related to the Structure of the Fund — Exercise of Dissent Rights by a Teramira Shareholder".

On August 16, 2005, RealTrack Inc. ("RealTrack") commenced an application in the Superior Court of Justice against MGCS, seeking a declaration that RealTrack was entitled to obtain and use freely for its private commercial purposes, electronic copies of land titles instruments from POLARIS. Teranet sought, and obtained, on a consent basis, intervenor status in the RealTrack matter. Teranet felt it prudent (but was not obligated) to do so in order to ensure that it would remain apprised of developments in a timely fashion and to more readily access any evidence presented. The matters referred to in the RealTrack application potentially affect only certain value added products and services of Teranet and do not otherwise materially affect Teranet's core business. RealTrack's application was heard on August 2, 2006. The court stayed RealTrack's application, and required it first to proceed to obtain any relief available to it from an application under Ontario's freedom of information legislation (including pursuing any appeals), before continuing its court application, if appropriate. RealTrack subsequently commenced a freedom of information application with respect to MGCS, which is in the process of being considered, and which is being opposed by MGCS as well as Teranet (as an interested third party).

There have been no penalties or sanctions imposed against the Fund or Teranet by a court relating to securities legislation or by a securities regulatory authority during the year ended December 31, 2007, or any other time that would likely be considered important to a reasonable investor making an investment decision in the Fund, and neither the Fund nor Teranet has entered into any settlement agreements with a court relating to securities legislation or with a securities regulatory authority during the year ended December 31, 2007.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

During the year ended December 31, 2007, except as disclosed elsewhere herein, no Trustee of the Fund, TOT Trustee, director, senior officer of Teranet or other insider of Teranet, nor any associate or affiliate of the foregoing persons has any substantial interest, direct or indirect, in any material transaction since the commencement of the Fund's last financial year.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Units is CIBC Mellon Trust Company at its principal office in Toronto, Ontario.

MATERIAL CONTRACTS

The only material contracts entered into by the Fund or any Related Entity within the financial year ended December 31, 2007 or before such time that are still in effect, other than in the ordinary course of business, are as follows (each of which are available under the Fund's profile on SEDAR at www.sedar.com)

1. the Declaration of Trust;
2. the TOT Declaration of Trust;
3. the Administration Agreement;
4. the Implementation Agreement;
5. the License Agreement;
6. the Writs Master Agreement;
7. the Writs License Agreement;
8. the Exchange Agreement;
9. the TOT Note Indenture;
10. the Teranet Holdings LP Agreement;
11. the credit agreement providing for the Credit Facilities, as amended;
12. the Amended Indenture;
13. the Fund Covenant Agreement;
14. the LTIP; and
15. the Underwriting Agreement.

INTERESTS OF EXPERTS

Deloitte & Touche LLP are the auditors of the Fund and have advised management that they are independent in accordance with such auditors' rules of professional conduct in the Province of Ontario.

AUDIT COMMITTEE INFORMATION

Teranet's Audit Committee is responsible for monitoring Teranet's systems and procedures for financial reporting and internal control, reviewing certain public disclosure documents and monitoring the performance and independence of Teranet's external auditors. The committee is also responsible for reviewing Teranet's annual audited financial statements, unaudited quarterly financial statements and management's discussion and analysis of financial results of operations for both annual and interim financial statements and review of related operations prior to their approval by the full board of directors of Teranet.

The Audit Committee's charter sets out its responsibilities and duties, qualifications for membership, procedures for committee member removal and appointments and reporting to Teranet's board of directors. A copy of the charter is attached hereto as Schedule "A".

The members of Teranet's current Audit Committee are Jon N. Hagan (Chair), Stuart Angus and John L. Ronson. Each of Messrs. Hagan, Angus and Ronson is independent and financially literate within the meaning of Multilateral Instrument 52-110 Audit Committees ("MI 52-110"). In addition to being independent directors as described above, all members of the Audit Committee must meet an additional "independence" test under MI 52-110 in that their directors' fees are the only compensation they, or their firms, receive from the Fund or Teranet and that they are not affiliated with the Fund or Teranet.

The Audit Committee met five times in 2007 (March 22, May 2, August 1, November 6 and December 11) and each such meeting was attended by all three members.

Relevant Education and Experience

In addition to each member's general business experience, the education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member is set forth in their respective biographies above under the heading "Trustees, Directors and Officers".

Pre-Approval Policies and Procedures

The Audit Committee's charter sets out responsibilities regarding the provision of non-audit services by Teranet's external auditors. This policy encourages consideration of whether the provision of services other than audit services is compatible with maintaining the auditor's independence and requires Audit Committee pre-approval of permitted audit and audit-related services.

External Auditor Service Fees

Audit Fees

The aggregate audit fees billed by the Fund's external auditors for the year ended December 31, 2007 were \$225,000.

Audit-Related Fees

The aggregate audit-related fees billed by the Fund's external auditors for the year ended December 31, 2007 were \$199,360.

Tax Fees

The aggregate tax fees in respect of tax compliance, tax advice and tax planning billed by the Fund's external auditors for the year ended December 31, 2007 were \$162,625.

All Other Fees

The aggregate non-audit fees billed by the Fund's external auditors for the year ended December 31, 2007 were \$nil.

ADDITIONAL INFORMATION

Additional information relating to the Fund and its Related Entities can be found on SEDAR at www.sedar.com; or on the Fund's website at www.teranet.ca. Additional information, including directors' and officers' remuneration and indebtedness and principal holders of the Fund's securities is contained in the management information circular of the Fund dated March 11, 2008 which will be available on SEDAR at www.sedar.com. Additional financial information is provided in the Fund's audited consolidated financial statements and management's discussion and analysis for the year ended December 31, 2007, which are also available on SEDAR.

SCHEDULE “A”

TERANET INCOME FUND AUDIT COMMITTEE CHARTER

COMMITTEE MANDATE

The Audit Committee (the “Committee”) of Teranet Inc. (the “Corporation”) is a committee of the Board of Directors which has responsibility under the *Business Corporations Act* (Ontario) (the “OBCA”) to review the financial statements, accounting policies and reporting procedures of the Corporation. The Corporation is part of a group of entities held by Teranet Income Fund (the “Fund”).

The primary function of the Committee is to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing: the financial reports and other financial information provided by the Corporation to any governmental body or the public; the Corporation’s systems of internal controls regarding finance, accounting, and legal compliance that management and the Board have established; and the Corporation’s auditing, accounting and financial reporting processes generally. Consistent with this function, the Committee should encourage continuous improvement of, and should foster adherence to, the Corporation’s policies, procedures and practices at all levels.

The Committee’s primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the Corporation’s financial reporting process and the system of internal controls.
- Oversee the work and monitor the independence and performance of the Corporation’s external auditors and the internal auditing department.
- Provide an open avenue of communication among the independent auditors, financial and senior management, the internal auditing department, and the Board of Directors.

Specific Responsibilities:

Documents/ Reports Review

- Create an agenda for the ensuing year.
- Review and update this Charter periodically, at least annually, as conditions dictate.
- Review the interim unaudited quarterly financial statements and the annual audited financial statements, as well as the related management discussion and analysis (“MD&As”), and the related press release of the Corporation prior to their filing or publication and shall report thereon to the Board of Directors.
- Satisfy itself that adequate procedures are in place for the review of the Corporation’s public disclosure of financial information extracted or derived from the Corporation’s financial statements, not otherwise covered by the preceding item, and periodically assess the adequacy of such procedures.

- Satisfy itself, on behalf of the Board of Directors, that the Corporation's quarterly and annual audited financial statements are fairly presented in accordance with generally accepted accounting principles and shall recommend to the Board of Directors whether the quarterly and annual financial statements should be approved.
- Review any reports or other financial information of the Corporation submitted to any governmental body, or the public, including any certification, report, opinion, or review rendered by the independent auditors.
- Have the right, for the purpose of performing their duties: (i) to inspect all the books and records of the Corporation and its subsidiaries; (ii) to discuss such accounts and records and any matters relating to the financial position of the Corporation with the officers and auditors of the Corporation and its subsidiaries; and (iii) to commission reports or supplemental information relating thereto; and any member of the Committee may require the auditors to attend any or every meeting of the Committee.
- Permit the Board of Directors to refer to the Committee such matters and questions relating to the financial position of the Corporation and its affiliates or the reporting related thereto as the Board of Directors may from time to time see fit.
- Assist management in providing the information required by Form 52-110F1 in the Fund's Annual Information Form to be filed annually or required by any other laws or regulations.

Independence of Auditors

- Satisfy itself, at least annually, on behalf of the Board of Directors, that the Corporation's auditors are "independent" of management, within the meaning given to such term in the rules and pronouncements of the applicable regulatory authorities and professional governing bodies.
- Recommend to the Board of Directors the selection of the external auditor, the terms and conditions of engagement of the external auditor, including compensation arrangements.
- Pre-approve all non-audit services to be provided to the Corporation or subsidiary entities by the external auditor.
- Review the performance and the remuneration of the Corporation's auditors and make recommendations to the Board of Directors in connection therewith, including the discharge of the external auditor.
- Satisfy itself, on behalf of the Board of Directors, that the audit function has been effectively carried out and that any matter which the independent auditors wish to bring to the attention of the Board of Directors has been addressed and that there are no "unresolved differences" with the auditors.
- Monitor the relationship between management and the independent auditor including reviewing any management letters or other reports of the independent auditor and discussing and resolving any material differences of opinion between management and the independent auditor.

- Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Corporation.
- Ensure that the independent auditor reports directly to the Audit Committee and arrange for the independent auditor to be available to the Audit Committee and the full Board of Directors as needed.

Financial Reporting Processes and Risk Management

- Review the audit plan of the external auditors for the current year, review the integration of the external audit with the internal control program and review advice from the external auditors relating to management and internal controls and the Corporation's responses to the suggestions made therein.
- Monitor the Corporation's internal accounting controls, informational gathering systems and management reporting on internal control.
- In consultation with the external auditor review the integrity of the organization's financial reporting processes, both internal and external.
- Consider the external auditor's judgments about the quality and appropriateness, not just the acceptability, of the Corporation's accounting principles and financial disclosure practices, as applied in its financial reporting, particularly about the degree of aggressiveness or conservatism of its accounting principles and underlying estimates and whether those principles are common practices or are minority practices.
- Consider and approve, if appropriate, major changes to the Corporation's accounting principles and practices as suggested by management with the concurrence of the independent auditor and ensure that the management's reasoning is described in determining the appropriateness of changes in accounting principles and disclosure.
- Review with management and the external auditors the relevance and appropriateness of the Corporation's accounting policies and review and approve all significant changes to such policies.
- Satisfy itself, on behalf of the Board of Directors, that the Corporation has implemented appropriate systems of internal control over financial reporting and the safeguarding of the Corporation's assets and other "risk management" functions (including the identification of significant risks and the establishment of appropriate procedures to manage those risks and the monitoring of the insurance program, environmental concerns, and corporate performance in light of applicable risks) affecting the Corporation's assets, management, financial and business operations and the health and safety of its employees and that these are operating effectively.
- Periodically consult with the external auditor out of the presence of management about significant risks or exposures, internal controls and other steps that management has taken to control such risks, and the fullness and accuracy of the organization's financial statements. Particular emphasis should be given to

the adequacy of internal controls to expose any payments, transactions, or procedures that might be deemed illegal or otherwise improper.

- Review and approve the Corporation's Investment and Treasury policies and monitor compliance with such policies.
- Where there are significant unsettled issues the Committee shall ensure that there is an agreed course of action for the resolution of such matters.
- Review with the external auditor and management significant findings during the year and the extent to which changes or improvements in financial or accounting practices, as approved by the Audit Committee, have been implemented. This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Committee.
- Review the performance of the chief financial officer and the activities, organizational structure, and qualifications of the chief financial officer and the staff in the financial reporting area, and see to it that matters related to succession planning within the Corporation are raised for consideration at the full Board of Directors.

Legal and Regulatory Compliance

- Satisfy itself, on behalf of the Board of Directors, that all material statutory deductions have been withheld by the Corporation and remitted to the appropriate authorities.
- Review, with the Corporation's principal external counsel, any legal matter that could have a significant impact on the Corporation's financial statements.
- Satisfy itself, on behalf of the Board of Directors, that all regulatory compliance issues have been identified and addressed and identifying those that require further work.
- Establish procedures for:
 - (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
 - (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

Finance

- Assist the Board of Directors in the review and approval of operational, capital and other budgets proposed by management;
- Review and recommend to the Board the approval of the Corporation's investment policy; and
- Monitor compliance with the Corporation's investment policy.

General

- Perform any other activities consistent with this Charter, the Corporation's By-laws and governing law, as the Committee or the Board of Directors deems necessary or appropriate.

II. COMMITTEE COMPOSITION

- The Committee shall be comprised of three or more directors, each of whom shall be independent as defined by Multilateral Instrument 52-110 or other applicable regulatory authority, as determined by the Board of Directors. The composition of the Committee shall adhere to all applicable corporate laws and all requirements of the stock exchanges on which shares of the Corporation are listed.

- All members of the Committee shall be considered to be "financially literate" within the meaning applied thereto in the Multilateral Instrument 52-110.

Attached hereto, as Schedule "A", are the independence and financial literacy requirements of Multilateral Instrument 52-110 as of the date of the adoption of this Charter.

- Members of the Committee shall be elected by the Board at the annual organizational meeting of the Board (typically held immediately after the annual shareholders' meeting) and shall serve until the next such meeting or until their successors shall be duly elected and qualified. A majority of the members of the Committee shall be resident Canadians.
- Any member of the Committee may be removed or replaced at any time by the Board of Directors and shall cease to be a member of the Committee as soon as such member ceases to be a director. Subject to the foregoing, each member of the Committee shall hold such office until the next annual meeting of shareholders after his or her election as a member of the Committee.
- The members of the Committee shall be entitled to receive such remuneration for acting as members of the Committee as the Board of Directors may from time to time determine.
- The Corporation shall make available to the Committee such funding as may be necessary to carry out its responsibilities.

Committee Member Qualifications:

- All members of the Committee shall be considered to be "financially literate" or capable of becoming "financially literate" as provided in Multilateral Instrument 52-110.

- Members shall also exhibit the attributes necessary to fulfill the Committee's responsibilities as set out in the Qualifications and Selection Criteria for Directors.
- In particular, Committee members will possess the attributes necessary to ask "probing" questions, and have the capability of dealing professionally with any difficult "people" issues that may arise.

III. COMMITTEE PROCESS

- No business may be transacted by the Committee except at a meeting at which a quorum of the Committee is present or by a resolution in writing signed by all members of the Committee. A majority of the members of the Committee shall constitute a quorum, provided that if the number of members of the Committee is an even number, one half of the number of members plus one shall constitute a quorum. No business shall be conducted at a meeting of the Committee unless a majority of the members participating are Canadian residents.
- The Committee will meet as many times as is necessary to carry out its responsibilities but in no event will the Committee meet less than four times a year. The Committee shall meet at least once annually with the external auditors, with management not present. As part of its job to foster open communication, the Committee should meet at least annually with management, the director of the internal auditing department and the independent accountants in separate executive sessions to discuss any matters that the Committee or each of these groups believe should be discussed privately. In addition, the Committee shall meet with the independent accountants and management quarterly to review the Corporation's financial statements.
- It is understood that in order to properly carry out its responsibilities with respect to its mandate, the Committee may retain outside consultants at the expense of the Corporation, if it considers it to be appropriate.
- The Committee may invite such other persons (i.e. the CEO, CFO, head of the internal audit department) to its meetings, as it deems necessary. The internal and external auditors should be invited to make presentations to the Committee as appropriate.
- The Committee, through its Chair, shall have the authority to communicate directly with the internal and external auditors, if appropriate.
- Subject to the provisions of the OBCA, if required for expediency or to prevent loss to the Corporation, the Chair of the Committee may exercise the powers of the Committee in between meetings of the Committee. In such event, the Chair shall immediately report to the members of the Committee and the actions or decisions taken in the name of the Committee shall be recorded in the proceedings of the Committee.

Schedule "A"

Independence Requirement of Multilateral Instrument 52-110

A member of the Audit Committee shall be considered "independent", in accordance with *Multilateral Instrument 52-110 - Audit Committees* ("MI 52-110"), subject to the additional requirements or exceptions provided in MI 52-110, if that member has no direct or indirect relationship with the Corporation, which could reasonably interfere with the exercise of the member's independent judgment. The following persons are considered to have a material relationship with the Corporation and, as such, cannot be a member of the Audit Committee:

- (a) an individual who is, or has been within the last three years, an employee or executive officer of the Corporation;
- (b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the Corporation;
- (c) an individual who:
 - (i) is a partner of a firm that is the Corporation's internal or external auditor;
 - (ii) is an employee of that firm; or
 - (iii) was within the last three years a partner or employee of that firm and personally worked on the Corporation's audit within that time;
- (d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:
 - (i) is a partner of a firm that is the Corporation's internal or external auditor;
 - (ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or
 - (iii) was within the last three years a partner or employee of that firm and personally worked on the Corporation's audit within that time;
- (e) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the Corporation's current executive officers serves or served at the same time on the entity's compensation committee; and
- (f) an individual who received, or whose immediate family member who is employed as an executive officer of the Corporation received, more than \$75,000 in direct compensation from the Corporation during any 12 month period within the last three years, other than as remuneration for acting in his or her capacity as a member of the Board of Directors or any Board committee, or the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service for the Corporation if the compensation is not contingent in any way on continued service.

In addition to the independence criteria discussed above, any individual who:

- (a) has a relationship with the Corporation pursuant to which the individual may accept, directly or indirectly, any consulting, advisory or other compensatory fee from the Corporation or any subsidiary entity of the Corporation, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee; or as a part-time chair or vice-chair of the board or any board or committee, or
- (b) is an affiliated entity of the Corporation or any of its subsidiary entities,

is deemed to have a material relationship with the Corporation, and therefore, is deemed not to be independent.

The indirect acceptance by an individual of any consulting, advisory or other fee includes acceptance of a fee by:

- (a) an individual's spouse, minor child or stepchild, or a child or stepchild who shares the individual's home; or
- (b) an entity in which such individual is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the Corporation or any subsidiary entity of the Corporation.

Financial Literacy Under Multilateral Instrument 52-110

"Financially literate", in accordance with MI 52-110, means that the director has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

SCHEDULE "B"

GLOSSARY

"**affiliate**" means, in respect of a person or company, another person or company that would be considered to be an "affiliate" in respect of such person or company for the purposes of National Instrument 45-106 — *Prospectus and Registration Exemptions* as in effect on the date hereof.

"**Amended Indenture**" means the Master Trust Indenture as amended and restated on July 17, 2006, including as amended and supplemented by supplemental indentures thereunder.

"**automation**" means the conversion of paper records to digital form.

"**Basic Public Service**" means those parts of the Basic Service which are available to the public (onsite and remotely) and which includes basic electronic search and registration services provided for under statute, all as more particularly described in the License Agreement.

"**Basic Service**" means the Basic Public Service and the LRO applications that are used for filing, registering, depositing, recording, loading, storing and retrieving land registration data and compiling, recording, storing and retrieving mapping data in accordance with the land registration statutes, and which provide the functionality to operate, manage, maintain and deliver the Basic Public Service, all as more particularly described in the License Agreement.

"**CAGR**" means compound annual growth rate.

"**CBCA**" means the *Canada Business Corporations Act*.

"**CDS**" means The Canadian Depository for Securities Limited, and includes its successors.

"**CRA**" means the Canada Revenue Agency.

"**Class A LP Units**" means the Class A limited partnership units of Teranet Holdings LP.

"**Class B LP Units**" means the Class B limited partnership units of Teranet Holdings LP.

"**Continuation Plan**" means the supplemental implementation plan #2 to continue to automate and convert all remaining parcels in Ontario (subject to a maximum expenditure of \$90 million), all as more particularly described in the Implementation Agreement.

"**conversion**" means legal transformation of *Registry Act* records to a "Qualified" Land Titles status on an ownership parcel basis.

"**DBRS**" means Dominion Bond Rating Service Limited.

"Declaration of Trust" means the declaration of trust dated May 8, 2006, as amended and restated on June 6, 2006, pursuant to which the Fund was established and is governed, as the same may be amended, supplemented or restated from time to time.

"electronic registration" or **"electronically register(ed)"** means the submission electronically for registration into the ELRS, for certification by the Province, of data created electronically through the application of sophisticated business rules contained in the *Teraview* software.

"ELRS" means the Province's electronic land registration system, which includes all of such system's assets (including software) required to provide electronic registration services, as more particularly described in the License Agreement.

"ELRS Exclusive Term" means the period of time during which Teranet has the exclusive right to access the data in and operate the ELRS, and create and market value-added products and services in connection with the ELRS, pursuant to the License Agreement from November 22, 1991 to and including March 31, 2017.

"ELRS Re-Engineering Project P1V1" means the project pursuant to which the original POLARIS application (which is back-end to ELRS) will be updated to a more modern, flexible technology platform.

"e-reg" means the electronic registration application contained in *Teraview*.

"Exclusive Supplier" means the person that is entitled to an exclusive license under Section 4.01 of the License Agreement or Section 4.2.1 of the Writs License Agreement (excluding any transition period as determined under the Writs License Agreement) or that Teranet is entitled to, and has been granted similar exclusive rights, entitlements; and/or privileges that have been granted to Teranet under Section 4.01 of the License Agreement or Section 4.2.1 of the Writs License Agreement (excluding any transition period as determined under the Writs License Agreement), as applicable, pursuant to any other agreement, commitment or arrangement whether before March 31, 2017 or thereafter.

"Fund" means Teranet Income Fund, an unincorporated, open-ended trust established under the laws of Ontario in accordance with the Declaration of Trust.

"implementation" means the automation, conversion and introduction of the ELRS (the steps required to be taken by Teranet to enable remote search and electronic registration with respect to properties in an area, as set out in the Implementation Plan).

"Implementation Agreement" means the implementation and operation agreement dated May 29, 1991 as amended on December 8, 1993 and January 29, 1998, as amended and restated on March 14, 2002 and further amended on August 5, 2003 and May 8, 2006, between Teranet and MGCS.

"Implementation Plan" means the implementation plan as referred to in the Implementation Agreement.

"IPO" means initial public offering.

"Land Titles System" means the system of recording documents (governed by the *Land Titles Act* (Ontario)) relating to land where the Province is responsible for maintaining the records and for guaranteeing (subject to legislated qualifications) the ownership of title to and specific interests in property.

"License Agreement" means the license agreement dated May 29, 1991, as amended on December 8, 1993 and in December 1996, as amended and restated on March 14, 2002 and further amended on August 5, 2003 and May 8, 2006, between Teranet and MGCS.

"LP Units" means, collectively, the Class A LP Units and the Class B LP Units.

"LRO" means land registry office in Ontario.

"LTIP" means the long term incentive plan of the Fund dated as of December 31, 2006.

"MAG" means the Ministry of the Attorney General (Ontario).

"Master Trust Indenture" means the master trust indenture made as of September 8, 1999 between Teranet Land Information Services Inc. (the predecessor to Teranet Inc.) and CIBC Mellon Trust Company.

"MGCS" means the Ministry of Government and Consumer Services, formerly the Ministry of Government Services (Ontario), formerly the Ministry of Consumer and Business Services (Ontario), and prior thereto, the Ministry of Consumer and Commercial Relations.

"Ministry of Finance" means the Ministry of Finance (Ontario).

"MPAC" means the Municipal Property Assessment Corporation.

"Note Trustee" means CIBC Mellon Trust Company.

"Ontario" means the Province of Ontario.

"Ordinary Resolution" means a resolution proposed to be passed as an ordinary resolution at a meeting of Unitholders and holders of Special Voting Units (including an adjourned meeting) duly convened for that purpose and held in accordance with the provisions of the Declaration of Trust at which a quorum is present, which resolution is passed by the affirmative votes of a majority of the votes cast by Unitholders and holders of Special Voting Units at such meeting or a resolution executed in writing by Unitholders and holders of Special Voting Units holding a majority of the outstanding Units and Special Voting Units entitled to vote on such resolution.

"parcel" means property which has been assigned a PIN.

"parcel register" means the index of registered documents and plans in the Land Titles system, which is organized, on an ownership basis.

"person" means a natural person, partnership, limited partnership, limited liability partnership, corporation, joint stock company, trust, unincorporated association, limited

liability company, joint venture or other entity or governmental or regulatory authority or entity, and pronouns have a similarly extended meaning.

"PIN" means property identification number, a unique nine-digit number made up of a five-digit block number and a four-digit property number.

"Plans" means, collectively, trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans within the meaning of the Tax Act.

"POLARIS" means Province of Ontario Land Registration and Information System, a computerized database that stores title and mapping information on automated properties in Ontario.

"Premium Service" means the ELRS functionality, product or service developed and offered by Teranet for the purpose of providing enhancements or additional features to the Basic Service, which services shall be offered as an addition to, rather than as a replacement for, the Basic Service, as more particularly described in the License Agreement.

"Province" means Her Majesty the Queen in right of Ontario.

"register" means the activity of lodging instruments in the registry or land titles systems for permanent custody and which have a direct effect on ownership or the book used in the land titles system and known as the "parcel register" in which entries are made each time a document is recorded.

"Registry Act" means the Ontario statute which governs the land and all of the documentation registered in the Registry System.

"Registry System" means the system of recording documents (governed by the *Registry Act*) relating to land where the Province is responsible for maintaining the records but not for guaranteeing the title.

"S&P" means Standard & Poor's Rating Services, a division of The McGraw-Hill Companies (Canada) Corporation.

"Special Resolution" means a resolution proposed to be passed as a special resolution at a meeting of Unitholders and holders of Special Voting Units (including an adjourned meeting) duly convened for that purpose at which a quorum is present, which resolution is passed by the affirmative votes of the holders of more than 66 ²/₃% of the Units and Special Voting Units represented at the meeting and voted upon such resolution, or a resolution in writing executed by Unitholders and holders of Special Voting Units holding more than 66 ²/₃% of the outstanding Units and Special Voting Units entitled to be voted on such resolution.

"Special Voting Units" means the units of the Fund to be issued to holders of Class B LP Units that represent voting rights in the Fund.

"statutory fees" means the fees set by the Province for registrations and searches under the ELRS and searches and filings in the Writs System.

"Supplemental Plan" means the supplemental implementation plan accepted on February 9, 2005 pursuant to which Teranet will implement certain additional properties after completion of the Implementation Plan (subject to a maximum expenditure of \$215 million for the Implementation Plan and the Supplemental Plan in addition to expenditures already incurred prior to April 1, 2002).

"Tax Act" means the *Income Tax Act* (Canada) and the regulations thereunder, as amended.

"Teranet" means Teranet Inc. and its subsidiaries.

"Teranet Entities" means TOT, Teranet Holdings LP, Teranet GP, Teranet and any of their respective affiliates.

"Teranet GP" means Teranet General Partner Inc., a corporation incorporated under the laws of Ontario.

"Teranet Holdings LP" means Teranet Holdings Limited Partnership, a limited partnership established under the laws of Ontario pursuant to the Teranet Holdings LP Agreement.

"Teraview" means Teranet's proprietary software which provides users with access to the ELRS and the Writs System and allows users to electronically register land registration instruments using *e-reg*.

"TII" means Teranet Investments Inc., a corporation incorporated under the laws of Ontario.

"TOT" means Teranet Operating Trust, an unincorporated, open-ended trust established under the laws of Ontario, all of the beneficial interests of which are held by the Fund.

"TOT Declaration of Trust" means the declaration of trust dated June 6, 2006, pursuant to which TOT was established and is governed, as the same may be amended, supplemented or restated from time to time.

"TOT Trustees" means the trustees of TOT.

"Trustees" means the trustees of the Fund from time to time.

"TSX" means the Toronto Stock Exchange.

"Unitholders" means, at any time, the holders at that time of one or more Units, as shown on the Register.

"Units" means the units of the Fund, other than Special Voting Units, each of which represents an equal undivided interest in the Fund and any distributions from the Fund, and includes a fraction of such a unit of the Fund.

"Writs" means (i) writs of execution including writs of seizure and sale, warrants, liens and other orders which are issued by a court on behalf of a judgment creditor to whom such judgment or order is rendered and that have been filed with MAG and which bind

the debtor's property, and (ii) certificates of lien which are issued by authorities such as the CRA or Legal Aid Ontario against individuals or corporations who owe money to either of those authorities.

"Writs Agreements" means, collectively, the Writs Master Agreement, the Writs Operation Agreement and the Writs License Agreement.

"Writs Exclusive Term" means the period of time during which Teranet has the exclusive right to access and operate the Writs System, and create and market value-added products and services in connection with the Writs System, pursuant to the Writs Agreements from June 18, 1997 to and including March 31, 2017.

"Writs License Agreement" means the writs license agreement dated June 18, 1997, as amended on August 14, 2000 and August 5, 2003 between Teranet and MAG.

"Writs Master Agreement" means the writs master agreement dated June 18, 1997, as amended on August 14, 2000 and August 5, 2003 between Teranet and MAG.

"Writs Operation Agreement" means the writs installation and operation agreement dated June 18, 1997, as amended on August 14, 2000 and August 5, 2003 between Teranet and MAG.

"WritSearch" means the application which provides remote access from any MAG enforcement office, LRO or desktop of a user utilizing *Teraview* to the Writs System.

"Writs System" means the electronic system that manages, maintains and provides access to Writs data.