

**Subscription  
by way of Private Placement  
for redeemable trust units ("Units")**

**of**

**TERA HIGH INCOME FUND  
AND/OR  
TERA BALANCED SMALL CAP FUND  
(each, a "Fund")**

**INSTRUCTIONS:**

1. All Subscribers must complete pages 1 and 2 of this Subscription.
2. A Subscriber who is an "Accredited Investor" must also complete the Accredited Investor Certificate annexed as Appendix 1.

## SUBSCRIPTION AGREEMENT

(For subscription by residents of British Columbia, Alberta, Manitoba, Saskatchewan, Ontario, Québec, Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland and Labrador only)

***SUBSCRIBERS PLEASE NOTE: Your completed and originally executed copy of this Subscription Agreement (the "Subscription") is to be delivered on your behalf by your Registered Dealer to Tera Capital Corporation (the "Manager"). It must be accompanied by payment of your total Investment Amount and, depending on your Province of residence, certain of the supplemental document(s) attached as appendices, as indicated on the cover of this Subscription Document package. The Manager may reject subscriptions which are not properly completed. Mandatory information includes: (i) if the Subscriber is an individual, the Subscriber's surname, the given name by which the Subscriber is commonly known, the first letters of the Subscriber's other given names and the Subscriber's residential address or address for service, including municipality, street and number, and postal code; and (ii) if the Subscriber is not an individual, the Subscriber's name and address or address for service, including municipality, street and number, and postal code, and the Subscriber's corporation number, if any.***

(Please Print Clearly)

### To: Tera Capital Corporation

The undersigned (the "Subscriber") subscribes for redeemable trust units (the "Units") of Tera High Income Fund and/or Tera Balanced Small Cap Fund (the "Subscribed Fund(s)") at the Net Asset Value thereof on and subject to the terms and conditions set forth herein and in the offering memorandum dated March 31, 2011, as amended from time to time (the "Offering Memorandum") relating to the offering of the Units, as follows:

	Tera Balanced Small Cap Fund	Tera High Income Fund
<b>Investment Amount(s)</b>	\$ _____	\$ _____

The Subscriber delivers herewith payment of the total Investment Amount, payable to Tera Capital Corporation (the "Manager"), to be applied to the purchase of Units of the Subscribed Fund(s) effective as of the date hereof (or if today is not a Valuation Day or this Subscription is received after 4:00 p.m. on any day, then to be applied as of the following Valuation Day) at the Net Asset Value per Unit then determined. **This Subscription must be accompanied by cash payment (cleared cheque, bank draft or money order, bank wire transfer, or Canadian coin and banknotes of the Bank of Canada) payable to the Manager for the total Investment Amount.**

**By signing this Subscription and delivering it to the Manager, the undersigned Subscriber acknowledges and agrees to the Terms, Conditions and Provisions which are attached to and form part of this Subscription.**

\_\_\_\_\_  
Signature of Witness (if Subscriber is an individual)

\_\_\_\_\_  
Signature of Subscriber (if an individual)

\_\_\_\_\_  
Name of Witness

\_\_\_\_\_  
Name of Subscriber (Please Type or Print)

Per:

\_\_\_\_\_  
Authorized Signatory (if a corporation)

\_\_\_\_\_  
Official Capacity or Title (if Authorized Signatory for a corporation)

Telephone: (        ) \_\_\_\_\_

Residential or  
Head Office  
Address: \_\_\_\_\_

Fax: (        ) \_\_\_\_\_

E-mail: \_\_\_\_\_

(If Subscriber is an individual): Social Insurance Number: \_\_\_\_\_

(If Subscriber is not an individual): Corporation No. (if any): \_\_\_\_\_

Tax Account No. (if any): \_\_\_\_\_

The Subscriber: *[Please check the appropriate box]*

**\$150,000 Minimum Investment**

is purchasing Units having an acquisition cost to the Subscriber of not less than \$150,000 paid in cash at the time of purchase and, if the Subscriber is not an individual, either

- (a) the Subscriber has not been formed, created, established or incorporated for the purpose of permitting the purchase of the Units without a prospectus, or
- (b) the aggregate acquisition cost of the Units to each member or partner of the partnership, syndicate or unincorporated organization, each beneficiary of the trust or each shareholder of the corporation, as applicable, is not less than \$150,000,

and the Subscriber will provide such information to the Subscribed Fund(s) respecting its date of formation, its primary business purpose and the number of members, partners, beneficiaries or shareholders as the Subscribed Fund(s) may reasonably request;

**Additional Investment**

is purchasing Units having an aggregate acquisition cost to the Subscriber of less than \$150,000, but has previously purchased Units of the same class having an aggregate acquisition cost paid in cash at the time of acquisition of at least \$150,000 at the time of purchase and, at the date hereof, continues to own Units that have a net asset value or aggregate acquisition cost of at least \$150,000;

**a. Accredited Investor**

is an "Accredited Investor" as set out in Appendix 1 hereto (the Subscriber having checked the applicable subparagraph(s)); or

**b. Other Exemption**

has the benefit of the following exemption from the prospectus requirements of applicable securities legislation in respect of a purchase of Units (specify nature and source of exemption):

\_\_\_\_\_  
\_\_\_\_\_

**The Subscriber has executed this Subscription as of this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.**

Name of Registered Dealer: \_\_\_\_\_

Name of Advisor: \_\_\_\_\_

This Subscription is accepted by Tera Capital Corporation, as Manager for and on behalf of the Subscribed Fund(s), as of this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

**Tera Capital Corporation**, as Manager, for and on behalf of such of **Tera High Income Fund** and/or **Tera Balanced Small Cap Fund** as are the Subscribed Fund(s)

Per: \_\_\_\_\_

Authorized Signatory

**TERMS, CONDITIONS AND PROVISIONS  
ATTACHED TO AND FORMING PART OF THIS SUBSCRIPTION**

between

**THE SUBSCRIBER** whose name and address appears on page 1 of this Agreement, (the “Subscriber”)

and

Such of **Tera High Income Fund** and/or **Tera Balanced Small Cap Fund** as are the Subscribed Fund(s), each a trust formed under the laws of the Province of Ontario having its principal office at 8 King Street East, Suite 1905, Toronto, Ontario, M5C 1B6, by their trustee and manager, Tera Capital Corporation, of the same address (the “Manager”)

**Definitions and Interpretation**

1. In this Subscription, terms with initial capital letters that are not otherwise defined herein have the meanings ascribed in the Offering Memorandum.

**Representations, Warranties, Covenants and Acknowledgments of the Subscriber**

2. The Subscriber makes the following representations, warranties, covenants and acknowledgments to and with the Subscribed Fund(s) and the Manager as of the date of execution of this Subscription:
  - a. The Subscriber has received and reviewed the Offering Memorandum, and has obtained such legal, tax, investment and other professional advice as it considers appropriate in connection with the execution, delivery and performance by it of this Subscription and the transactions contemplated hereunder.
  - b. If the Subscriber is an individual, the Subscriber has obtained the age of majority and has the legal capacity and competence to enter into this Subscription and to take all actions required pursuant to the Offering Memorandum. If the Subscriber is a corporation, the Subscriber is a valid and subsisting corporation, has the legal capacity and competence to enter into this Subscription and to observe and perform its covenants and obligations hereunder and has taken all necessary corporate action in respect thereof. If the Subscriber is a partnership or other form of unincorporated organization, the Subscriber has the legal capacity and authority to enter into this Subscription and to observe and perform its covenants and obligations hereunder and has obtained all necessary approvals in respect thereof.
  - c. The entering into of this Subscription and the completion of the transactions contemplated will not result in a violation of any of the terms and provisions of any law applicable to, or, if the Subscriber is a corporation, partnership or other form of unincorporated organization, the constating documents of, the Subscriber or of any agreement to which the Subscriber may be a party or by which the Subscriber is or may be bound.
  - d. This Subscription has been duly executed and delivered by the Subscriber and constitutes a valid and binding agreement of the Subscriber enforceable against the Subscriber in accordance with its terms.
  - e. The Subscriber is not a “non-resident” for the purposes of the Tax Act and is not a “non-Canadian” for the purposes of the Investment Canada Act.
  - f. The Subscriber is not a “financial institution” for the purposes of subsection 142.2(1) of the Tax Act, and in the event that the Subscriber becomes a financial institution, the Subscriber undertakes to immediately notify the Manager in writing of such change of status.
  - g. The Subscriber is resident, or if not an individual has a registered or head office, in the jurisdiction as set forth on page 1 of this Subscription, which address is the residence or place of business of

the Subscriber, as the case may be, and was not created or used solely for the purpose of acquiring the Units.

- h. The Subscriber is purchasing the Units as principal for the Subscriber's own account, and not for the benefit of any other person, or is deemed under applicable securities laws to be purchasing the Units as principal, and in either case is purchasing the Units for investment only and not with a view to the resale or distribution of all or any of the Units.
  - i. The Subscriber has such knowledge and experience in business and financial affairs as to be able to assess the investment risks of the purchase hereunder and acknowledges that the Units are a speculative investment and involve a substantial degree of risk and the Subscriber is able to bear the economic risk of loss of the investment.
  - j. The Subscriber will comply with the provisions of applicable securities laws and any other relevant legislation concerning the purchase and holding of the Units and any resale of the Units and the delivery of this Subscription, and the Subscriber affirms that the acceptance of this Subscription by the Subscribed Fund(s) and the sale of the Units to the Subscriber complies with all applicable laws of the Subscriber's jurisdiction of residence or domicile and all other applicable laws.
  - k. The Subscriber understands that (i) there is no right to demand any distribution from the Subscribed Fund(s), other than by redemption of Units pursuant to the terms and procedures described in the Offering Memorandum, (ii) it is not anticipated that there will be any public market for the Units and (iii) it may not be possible to sell or dispose of Units (although Units may be redeemed in the manner described in the Offering Memorandum).
  - l. The Subscriber acknowledges that upon acceptance of this Subscription, the subscription proceeds will be managed by the Manager on behalf of the Subscribed Fund(s) on a discretionary basis in accordance with the investment objectives and policies described in the Offering Memorandum.
  - m. The Subscriber has no knowledge of a "material fact" or "material change" (as those terms are defined in the *Securities Act* (Ontario)) in the affairs of the Subscribed Fund(s) that has not been generally disclosed to the public.
  - n. The purchase of Units has not been made through, or as a result of, and the distribution of the Units is not being accompanied by, an advertisement.
  - o. The sale and delivery of the Units to the Subscriber is conditional upon such sale being exempt from the requirements under applicable securities laws requiring the filing of a prospectus in connection with the distribution of the Units or upon the issuance of such rulings, orders, consents or approvals as may be required to permit such sale without the requirement of filing a prospectus.
  - p. The Subscriber will execute and deliver all documentation as may be required by applicable securities laws or by the Subscribed Fund(s), as the case may be, to permit the purchase of the Units on the terms herein set forth.
  - q. All information provided by the Subscriber in pages 1 and 2, and in Appendix 1, if applicable, is true and correct.
3. The foregoing representations, warranties, covenants and acknowledgments are made by the Subscriber with the intent that they be relied upon by the Subscribed Fund(s) and the Manager in determining the Subscriber's eligibility as a purchaser of the Units. The foregoing representations, warranties, covenants and acknowledgments of the Subscriber shall survive its purchase of Units. The Subscriber undertakes to notify the Manager immediately at the address set forth above of any change in any representation, warranty or other information relating to the Subscriber set forth in this Subscription.

#### **Indemnity**

4. The Subscriber will indemnify and hold harmless the Subscribed Fund(s) and the Manager and their respective representatives, directors, officers, employees and agents from and against all losses, liability, claims, costs, expenses and damages arising out of or based upon any representation or warranty of the

Subscriber contained herein being untrue in any material respect or any breach or failure by the Subscriber to comply with any covenant or agreement made by the Subscriber herein.

### **Hold Period and Resale Restrictions**

5. The Subscriber acknowledges that the Units to be issued pursuant to this Subscription will be subject to resale restrictions imposed under applicable securities laws and the rules of regulatory bodies having jurisdiction including, without limiting the generality of the foregoing, a requirement that the Units not be traded for a period of four months from the distribution date except as permitted by applicable securities laws and the Subscriber will be bound by and comply with such restrictions.

### **Acceptance of Subscription**

6. The Manager may at its sole discretion accept or reject this subscription (in whole or in part). If this subscription is rejected, the Subscriber understands that any funds delivered by the Subscriber to the Manager will be promptly returned to the Subscriber without deduction or interest. The Subscriber waives any requirement for the Manager to communicate its acceptance of this subscription to the Subscriber.

### **Rights of Action**

7. Effective at the date of acceptance of this Subscription, the Subscriber shall have the applicable statutory or contractual right of action for rescission or damages for the applicable Offering Jurisdiction in which the Subscriber resides as set forth in the Offering Memorandum, as if such rights were fully set forth in this Subscription, and such rights are incorporated by reference into this Subscription.

### **Notice**

8. Any notice to be given by either party to the other under this Subscription will be effective and valid only if in writing and delivered by hand or sent by courier, registered or certified mail, or by facsimile, addressed to their respective addresses set forth on page 1 hereof (or, in either case, to such other address of which either party has given notice to the other in accordance with the foregoing).

### **Miscellaneous**

9. Neither the Subscriber nor the Subscribed Fund(s) may set over or assign all or any part of its interest in or to this Subscription without the written consent of the other and any purported assignment without such consent is void.
10. This Subscription shall be governed by and interpreted according to the laws of Ontario and the federal laws of Canada applicable therein, and the parties submit to the jurisdiction of the courts of Ontario in connection with any disputes arising hereunder.
11. Time is of the essence of this Subscription.
12. Except as expressly provided in this Subscription (including any Appendices hereto) and in the Offering Memorandum, this Subscription contains the entire agreement between the parties with respect to the sale of the Units and there are no other terms, conditions, representations or warranties, whether expressed, implied, oral or written, by statute or by common law, by the Subscribed Fund(s), the Subscriber or any other person.
13. The parties to this Subscription may amend this Subscription only in writing.
14. This Subscription may be executed in as many counterparts as may be necessary, each of which so executed shall be deemed to be an original and such counterparts together shall constitute one and the same instrument. The Fund will be entitled to rely upon delivery by facsimile machine of an executed copy of this Subscription and acceptance by the Subscribed Fund(s) of such facsimile copy will be legally effective to create a valid and binding agreement between the Subscriber and the Subscribed Fund(s) in accordance with the terms hereof.
15. This Subscription shall enure to the benefit of and be binding upon the Subscribed Fund(s) and the Subscriber and their respective successors, permitted assigns and other legal representatives.

16. The Subscriber has requested that this Subscription and all communications with respect thereto be in the English language. Le soussigné confirme avoir requis que ce formulaire de souscription, le contrat de société en commendite plus haut mentionnés et toute autre communication y afférente soient en langue anglaise.

**TO: Tera High Income Fund and/or Tera Balanced Small Cap Fund**

Reference is made to the Subscription to which this Certificate is annexed, pursuant to which the undersigned has agreed to subscribe for Units of the Subscribed Fund(s) set out therein. In connection with paragraph 2(q)(iii) of the Subscription, the Subscriber represents and warrants to the Subscribed Fund(s), and acknowledges that the Subscribed Fund(s) is/are relying on such representation and warranty in issuing the Units subscribed for to the Subscriber, that the Subscriber or its disclosed principal is an "accredited investor" as defined in National Instrument 45-106 - Prospectus and Registration Exemptions by virtue of being: *[check each category that applies]*

- (a) a Canadian financial institution or a Schedule III bank;
- (b) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada);
- (c) a subsidiary of any person referred to in paragraphs (a) or (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary;
- (d) a person registered under the securities legislation of a jurisdiction of Canada as an adviser or dealer, other than a person registered solely as a limited market dealer under one or both of the *Securities Act* (Ontario) or the *Securities Act* (Newfoundland and Labrador);
- (e) an individual registered or formerly registered under the securities legislation of a jurisdiction of Canada as a representative of a person referred to in paragraph (d);
- (f) the Government of Canada or a jurisdiction of Canada, or any crown corporation, agency or wholly owned entity of the Government of Canada or a jurisdiction of Canada;
- (g) a municipality, public board or commission in Canada and a metropolitan community, school board, the Comité de gestion de la taxe scolaire de l'île de Montréal or an intermunicipal management board in Québec;
- (h) any national, federal, state, provincial, territorial or municipal government of or in any foreign jurisdiction, or any agency of that government;
- (i) a pension fund that is regulated by the Office of the Superintendent of Financial Institutions (Canada), a pension commission or similar regulatory authority of a jurisdiction of Canada;
- (j) an individual who, either alone or with a spouse, beneficially owns financial assets having an aggregate realizable value that before taxes, but net of any related liabilities, exceeds \$1,000,000;
- (k) an individual whose net income before taxes exceeded \$200,000 in each of the 2 most recent calendar years or whose net income before taxes combined with that of a spouse exceeded \$300,000 in each of the 2 most recent calendar years and who, in either case, reasonably expects to exceed that net income level in the current calendar year;
- (l) an individual who, either alone or with a spouse, has net assets of at least \$5,000,000;
- (m) a person, other than an individual or investment fund, that has net assets of at least \$5,000,000 as shown on its most recently prepared financial statements;
- (n) an investment fund that distributes or has distributed its securities only to
  - (i) a person that is or was an accredited investor at the time of the distribution,



- (ii) a person that acquires or acquired securities in the circumstances referred to in sections 2.10 [Minimum amount investment], or 2.19 [Additional investment in investment funds] of National Instrument 45-106, or
- (iii) a person described in paragraph (i) or (ii) that acquires or acquired securities under section 2.18 [Investment fund reinvestment] of National Instrument 45-106;
- (o) an investment fund that distributes or has distributed securities under a prospectus in a jurisdiction of Canada for which the regulator or, in Québec, the securities regulatory authority, has issued a receipt;
- (p) a trust company or trust corporation registered or authorized to carry on business under the *Trust and Loan Companies Act* (Canada) or under comparable legislation in a jurisdiction of Canada or a foreign jurisdiction, acting on behalf of a fully managed account managed by the trust company or trust corporation, as the case may be;
- (q) a person acting on behalf of a fully managed account managed by that person, if that person
  - (i) is registered or authorized to carry on business as an adviser or the equivalent under the securities legislation of a jurisdiction of Canada or a foreign jurisdiction, and
  - (ii) in Ontario, is purchasing a security that is not a security of an investment fund<sup>1</sup>;
- (r) a registered charity under the *Income Tax Act* (Canada) that, in regard to the trade, has obtained advice from an eligibility adviser or an adviser registered under the securities legislation of the jurisdiction of the registered charity to give advice on the securities being traded;
- (s) an entity organized in a foreign jurisdiction that is analogous to any of the entities referred to in paragraphs (a) to (d) or paragraph (i) in form and function;
- (t) a person in respect of which all of the owners of interests, direct, indirect or beneficial, except the voting securities required by law to be owned by directors, are persons that are accredited investors;
- (u) an investment fund that is advised by a person registered as an adviser or a person that is exempt from registration as an adviser; or
- (v) a person that is recognized or designated by the securities regulatory authority or, except in Ontario and Québec, the regulator as an accredited investor.

DATED as of this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

\_\_\_\_\_  
Name of Subscriber (Please Type or Print)

\_\_\_\_\_  
Signature of Subscriber (If an individual)

Per: \_\_\_\_\_

\_\_\_\_\_  
Authorized Signatory (If a corporation)

\_\_\_\_\_  
Official Capacity or Title (If Authorized Signatory for a corporation)

\_\_\_\_\_  
<sup>1</sup> Note: Because each of the Funds is an "investment fund" this is not available in Ontario.