

May 12, 2014

Enclosed is the annual Information Circular for Pender Growth Fund (VCC) Inc. (the “Fund”). We would ask you to review the information and complete the proxy.

There have been a series of interesting developments this year that have had a positive impact on our ability to meet redemptions and upon the net asset value of the Class B shares and the Class C common shares.

Our investment obligations are complete

The Fund operates as a Venture Capital Corporation under a regime regulated by the Province of British Columbia. This is what allowed our original shareholders to receive a 30% provincial tax credit at the time that you purchased shares in the Fund. The regime requires the Fund to invest a certain amount of the proceeds into small businesses with fewer than 100 employees that carry on business in certain industries in British Columbia. This year we received confirmation from the province that the Fund has no further obligation to invest.

The Fund has no debt or prior claims to its assets

The Fund is debt free and has not issued preferred shares or any other types of securities that have superior rights to the Class R redeemable shares. Holders of those shares are in first position to receive proceeds from the disposition of the Fund’s investments.

We have a history of honouring redemptions

The Fund has now honoured a total of \$15 million of redemptions and there are total of \$9.5 million of redeemable shares yet to redeem.

Last November, as a result of the sale of Radiant Communications, the Fund’s largest holding, the Fund was able to redeem \$3.7 million of redeemable shares. All redemption requests submitted in 2011 were honoured as to 100% and redemption requests submitted in 2012 were honoured as to 50%.

The remaining portion of the 2012 tranche of redemptions, and the 2013 tranche of redemptions, will be honoured as soon as the Fund is able to sell one or more of its investments that net sufficient proceeds to the Fund. Although we cannot predict when this will take place, one or more of the Fund’s investments could be sold within the next year.

Class C shares are entitled to all excess value

All value in excess of the Fund’s outstanding redemptions belongs to the Class C shares. As of today, the net asset value of the Fund is approximately \$13 million and the maximum redemption obligation is \$9.5 million, so the Class C shares have an aggregate Net Asset Value of approximately \$3.5 million, or about \$1.00 per share. The net asset value changes from week to week depending on the value of the Fund’s underlying assets. We update this number on our website every Friday.

Will the Fund be able to honour its redemption obligations?

We continue to be optimistic that the Fund will be in a position to redeem its Class R redeemable shares and ultimately provide value to holders of its Class C shares. We have a history of selling our investments. Over the past several years we have sold Gemcom, OSI, Progressive Solutions, Cytiva and Radiant Communications and just recently we sold our somewhat modest position in Webtech Wireless.

We believe that a number of our current investee companies may have a liquidity event in the next one to two years. Markets are more receptive than they have been for some time and several of the companies have matured to the point where they could be attractive to an acquirer. Our key investments are as follows:

- QHR Technologies, our largest position, is now a mature business with revenues well in excess of \$20 million per year. It is profitable, has a significant amount of cash on its balance sheet and has strategic value as a market leader. This is a far cry from the fast growing, but money losing and under-capitalized company that we invested in years ago.
- Tantalus Systems has had a significant turnaround this year. After a product problem 18 months ago, the company changed management and refocused its development efforts. Now its products are once again being well accepted in the market, so the risk of our investment has reduced significantly.
- D-Wave Systems is a cutting edge technology company with a disruptive product that has already attracted world class investors and publicity and could attract an acquirer at any time.
- One45 Software, BasicGov Systems and Monexa Services are all emerging, fast growing, Software-as-a-Service companies with developed markets that are at, or near, cash-flow break-even and are potential acquisition candidates.

If we are able to sell several of these investments at values that we currently believe that we could, we will be in a position to honor all outstanding redemptions and all of the remaining value will accrue to the Class C shares. It is largely a matter of patience.

Meanwhile, are costs being reduced?

Yes. Our management fees are calculated as a fixed percentage of the value of the Fund, so they have decreased as the Fund has become smaller. The assets in the Fund now represent less than 4% of the more than \$400 million of assets under management in our group, meaning that the Fund benefits from many economies of scale. As a result, we have been able to negotiate lower audit fees and other third party supplier costs. As well, we have volunteered to suspend the performance fee until all Class R shares are redeemed.

In summary

We appreciate your patience. The Fund has solid, underlying investments in the portfolio and we are doing our best to keep costs under control and to trigger the sale of our investments. We will reinstate additional redemptions as soon as we are able to liquidate sufficient investments.



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