

Why is this transaction occurring?

This is occurring to comply with LSVCC act and regulations and preserve shareholder value for a large and successful portfolio company Steel Reef Infrastructure Corp. ("Steel Reef").

What regulations are causing this?

Section 10(1)(c) of the LSVCC Regulations provides that an investment in any corporation with capitalization exceeding \$500,000,000 is a prohibited investment for a Type A corporation such as SaskWorks.

Section 10(3.1) of the LSVCC Regulations further provides that if a corporation in which a Type A corporation has invested becomes a prohibited investment, the Type A corporation must dispose of such investment within 60 months after the last day of the labour-sponsored fund's fiscal year in which the corporation's capitalization first exceeded \$500,000,000.

SaskWorks initially invested in Steel Reef beginning in March, 2013. At the time of SaskWorks' initial investments, Steel Reef was a start-up and an eligible investment.

During the fiscal year ended August 31, 2020, Steel Reef's capitalization exceeded \$500,000,000, making SaskWorks' investment a prohibited investment pursuant to section 10(1)(c) of the LSVCC Regulations. As a result, SaskWorks was required to dispose of its Steel Reef investment by no later than August 31, 2025. A six-month extension was granted by the provincial government, allowing the investment to be held until February 28th, 2026.

Why has this never occurred previously?

It is unusual for a LSVCC start-up investment to achieve a capitalization of \$500,000,000 while remaining privately held. We believe the regulation was originally intended primarily to deal with public holdings, making this situation atypical.

Why is this process deemed the best alternative?

SaskWorks owns approximately 11% of Steel Reef and is therefore not in a control position, nor is there a readily available secondary market to provide liquidity. This mechanism was created to balance several important objectives:

- **Compliance:** The transaction enables SaskWorks to comply with the divestiture requirements under the LSVCC Act and LSVCC Regulations;
- **Preservation of Shareholder Value:** The transaction structure allows for an orderly disposition of the Steel Reef investment over time, avoiding a forced sale that could result in shareholders facing materially less than fair market value;
- **Tax Efficiency:** Preserves tax efficiency for most shareholders;
- **Continuity of Oversight:** The Fund Manager continues to oversee the Steel Reef investment;
- **Flexibility:** The structure provides flexibility to time the ultimate disposition of the Steel Reef investment in alignment with market conditions and strategic opportunities, while ensuring SaskWorks shareholders participate in any future appreciation in value.

What is the impact to SaskWorks shareholders?

Aggregate shareholder value is preserved, but re-allocated. Value that previously resided in Steel Reef within SaskWorks will transfer to “Newco”, with Newco being owned by the shareholders of SaskWorks on the record date of the transaction. This transfer will occur automatically (presuming shareholder approval) and can be viewed in the shareholder’s portfolio.

Where will Newco reside, and how will it show up in shareholder accounts?

Newco will appear in shareholder accounts upon close of the transaction, as further outlined in the information circular. Once the Newco holding is monetized, the proceeds will appear as SaskWorks Series C shares.

What will happen when the Steel Reef position is sold within Newco?

The proceeds are repatriated back to SaskWorks and will reside in Class C shares issued to shareholders of Newco. Only those who were shareholders of SaskWorks at the time of the transaction, as described in the information circular, will receive Class C shares. New shareholders after the transaction will not receive Class C shares.

Can shares of Newco be sold?

No, early redemptions of Newco cannot occur before the monetization of the portfolio holding.

Can shares of Newco be purchased?

No, the value that previously resided in Steel Reef will be transferred to Newco. This transfer will occur automatically and will be visible in the shareholders’ investment portfolio.

Will there be tax implications because of this transaction?

Registered Accounts: There will be no tax implications for registered accounts.

Non-Registered Accounts: The distribution of Newco Common Shares by SaskWorks to shareholders will be treated as a dividend for Canadian income tax purposes. A significant portion of the of the dividend will be characterized as capital gains dividends, which are taxed as capital gains of the holder.

For more information, please read the information circular or contact **saskworks@saskworks.ca**.