*This offering memorandum constitutes an offering of these securities in the provinces and territories of Canada, and therein only by persons permitted to sell such securities and to those persons to whom they may be lawfully offered for sale.* ***No securities commission or similar regulatory authority in Canada has reviewed this offering memorandum or has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence. This offering memorandum is not, and under no circumstances is it to be construed as, a prospectus or advertisement or a public offering of these securities.***

**CONFIDENTIAL OFFERING MEMORANDUM**


**Continuous Offering** **November 20, 2019**

# VENATOR SELECT FUND

# OFFERING OF UNITS

# SUBSCRIPTION PRICE: NET ASSET VALUE PER UNIT

Venator Select Fund (the "**Fund**") is a limited partnership formed and organized under the laws of Ontario. The Fund is offering an unlimited number of retractable, redeemable limited partnership units (collectively, the "**Units**"), issuable in classes and series, on a continuous basis pursuant to this confidential offering memorandum (the "**Offering Memorandum**"). The distribution of Units is being made on a private placement basis only and is exempt from the requirement that the Fund prepare and file a prospectus with the relevant Canadian securities regulatory authorities. Prospective investors must be "accredited investors", as defined under applicable securities laws. Units will be offered at the net asset value (the "**Net Asset Value**") per Unit on each Valuation Date (as defined herein).

The investment objective of the Fund is to provide capital growth by concentrating its investments in a select number of opportunities. Although its investments may be limited in number, the Fund will seek to earn superior returns through a variety of investment strategies, including (i) taking long and short positions in primarily North American equities, debt, derivatives and commodities to provide the best appreciation potential, and (ii) investing in special situations including event-driven situations such as corporate restructurings, mergers, hostile takeovers or bankruptcies. The allocation of long and short positions will vary depending on the opportunities the Manager believes have the best reward per unit of risk.

Venator Genpar Ltd. (the "**General Partner**") is the general partner of the Fund and is responsible for the management of the ongoing business, investment and administrative affairs of the Fund, but has delegated most of these responsibilities to the Manager. Venator Capital Management Ltd. (the "**Manager**") is the investment fund manager and investment advisor of the Fund. The Manager will perform the management functions, including the day-to-day management of the Fund, and will provide investment advisory and portfolio management services to the Fund. Although the Fund is a "mutual fund" as defined in the securities legislation applicable in certain provinces, it does not

operate in accordance with the requirements of National Instrument 81-102 *Investment Funds* and other policies and regulations of the securities regulatory authorities that are applicable to mutual funds that have offered securities under a prospectus and are reporting issuers.

Subscriptions received before 4:00 p.m. (Toronto time) on the last business day of any calendar quarter (a "**Valuation Date**") will be accepted at the discretion of the Manager. Subscriptions received after that time will be considered on the next Valuation Date. Units may be surrendered for redemption at their Net Asset Value per Unit on any Valuation Date, provided the redemption request is made to the Manager at least 45 days prior to the Valuation Date on which the redemption is to occur, and subject to the Fund's right to suspend redemptions in certain circumstances.

An investment in Units is speculative. Changes in the Net Asset Value may be both volatile and rapid with potentially large variations over a short period of time. A subscription for Units should be considered only by persons financially able to maintain their investment and who can bear the risk of loss associated with an investment in the Fund.

There is no market through which the Units may be sold and none is expected to develop. Units may only be transferred with the consent of the Manager and transfers will generally not be permitted. Transfers of the Units are also subject to resale restrictions under applicable securities legislation. Investors who receive this Offering Memorandum must inform themselves of, and observe, all applicable restrictions with respect to the acquisition or disposition of Units under applicable securities legislation. Redemptions will be suspended if there is insufficient liquidity in the Fund. There are certain additional risk factors associated with investing in the Units. See "Risk Factors" and "Resale Restrictions".

No person is authorized to provide any information or to make any representation not contained in this Offering Memorandum and any information or representation, other than that contained in this Offering Memorandum, must not be relied upon. This Offering Memorandum is a confidential document furnished solely for the use of prospective investors who, by acceptance hereof, agree that they shall not transmit, reproduce or make available this document or any information contained in it.

**The Manager, in its capacity as an exempt market dealer, is also offering the Units on a private placement basis. The Fund may be considered to be a connected issuer and related issuer of the Manager under applicable securities laws. See "Conflicts of Interest".**

**Investors should carefully review the risk factors outlined in this Offering Memorandum. Investors are urged to consult with their independent legal and tax advisors prior to signing the subscription agreement for the Units (a "Subscription Agreement") and to carefully review the Limited Partnership Agreement of the Fund.**

**This Offering Memorandum was originally issued on August 21, 2013 and was restated on May 25, 2015 and November 20, 2019.**

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## SUMMARY

*Prospective investors are encouraged to consult their own professional advisors as to the tax and legal consequences of investing in the Fund. This summary is qualified in its entirety by the more detailed information appearing elsewhere in this Offering Memorandum and the Limited Partnership Agreement. Capitalized terms used but not defined in this summary are defined elsewhere in this Offering Memorandum.*

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| **The Fund:** | Venator Select Fund (the "**Fund**") is a limited partnership formed and organized under the laws of the Province of Ontario. |
| **The Offering:** | The Fund is offering an unlimited number of retractable, redeemable limited partnership units (collectively, the **"Units**"), issuable in classes and series. |
| **The Units:** | The Fund is offering Class A, Class F and Class I Units. Class A Units are available to all investors, including those investors that purchase their Units after being referred by a registered financial advisor that requests payment of a service fee from the Fund. Class F Units are only available to investors that have or arrange to have fee-based accounts with a registered dealer. Class I units are available to institutional investors or to other investors on a case-by-case basis, all at the discretion of the Manager.<br><br>Additional classes of Units may be issued in the future.<br><br>Each Unit represents an undivided interest in the Fund. The Fund is authorized to issue an unlimited number of Units, issuable in classes and series, and may issue fractional Units so that subscription funds may be fully invested. Each Unit has equal rights with respect to voting, rights to receive distributions, liquidation and other events in respect of the Fund. See "Limited Partnership Agreement – The Units". |
| **Subscription Price:** | Units will be issued at the Net Asset Value per Unit as of the applicable Valuation Date, payable in full at such time. |
| **Minimum Initial Subscription:** | The minimum subscription amount for Class A and Class F Units is $250,000 or such lesser amount as the Manager may accept. The minimum subscription amount for Class I Units is $10 million, or such other amount as the Manager may accept. Investors who have invested in Units may subsequently subscribe for additional amounts of at least $100,000. See "Purchase of Units". |
| **Purchases:** | Units may be purchased as at the close of business on the last business day of each calendar quarter, or on any other day as the Manager, in its discretion, determines (each a "**Valuation Date**"), provided a duly completed subscription agreement (the "**Subscription Agreement**") and the required payment has been delivered to and accepted by the Manager no later than 4:00 p.m. (Toronto time) on such Valuation Date. Units will be deemed to be issued on the next business day based on the closing Net Asset Value per Unit on such Valuation Date. Subscription Agreements received or accepted after such time will be considered on the following Valuation Date. Prospective investors must be "accredited investors", as defined under National Instrument 45-106 *Prospectus Exemptions* ("**NI 45-** |

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| | **106**"). See "Purchase of Units ". |
| **General Partner:** | Venator Genpar Ltd. (the "**General Partner**"), a corporation incorporated under the laws of the Province of Ontario, is the general partner of the Fund. The General Partner is responsible for the management of the ongoing business, investment and administrative affairs of the Fund, but has delegated most of these responsibilities to the Manager. The General Partner will be entitled to 0.01% of the profits or losses of the Fund, net of the Profit Account, in each fiscal year and, upon dissolution of the Fund, to 0.01% of the net assets of the Fund in accordance with the terms of the Limited Partnership Agreement. See "Management of the Fund – The General Partner". |
| **Manager:** | The General Partner has retained Venator Capital Management Ltd. (the "**Manager**") as the investment fund manager and investment advisor of the Fund. The Manager will perform the management functions, including the day-to-day management of the Fund, and will provide investment advisory and portfolio management services to the Fund. The Manager will be entitled to the Management Fee. The General Partner may, in its discretion, terminate and replace the Manager where it deems it to be in the best interests of the Fund. The Manager also serves as the investment fund manager, trustee and/or investment advisor, of the Venator Founders Fund, Venator Investment Trust, Venator Offshore Fund Inc., Venator Income Fund, Venator Partners US Fund LP, and Venator Partners Master Fund LP. See "Management of the Fund – The Manager". |
| **Investment Objectives and Strategy:** | The investment objective of the Fund is to provide capital growth by concentrating its investments in a select number of opportunities. Although its investments may be limited in number, the Fund will seek to earn superior returns by taking both long and short investment positions in equity, debt and derivative securities and through strategic trading in special situations. The portfolio will consist primarily of securities that generate capital gains but will also include investments that generate income. The allocation of long and short positions will vary depending on the opportunities the Manager believes have the best reward per unit of risk. See "Investment Objective, Strategies and Restrictions". |
| **Redemptions:** | An investment in Units is intended to be a long-term investment. Limited Partners may request that their Units be redeemed at the Net Asset Value per Unit (determined in accordance with the Limited Partnership Agreement), at any Valuation Date provided that the request for redemption is submitted at least 45 days prior to such Valuation Date. The Manager has the sole discretion to accept or reject redemption requests and intends to accept redemption requests in circumstances where it would not be prejudicial to the Fund.<br><br>The Fund may suspend redemption rights in certain circumstances, including redemptions in excess of 10% of the Net Asset Value of the Fund. The Manager also reserves the right to hold back up to 20% of the aggregate redemption price if liquidity issues arise. The Manager may require a Limited Partner to surrender their Units for redemption in |

certain circumstances. See "Redemption of Units".

**Risk Factors:**

**THE VENATOR SELECT FUND SHOULD BE CONSIDERED A SPECULATIVE HIGH RISK INVESTMENT BY POTENTIAL INVESTORS. THE FUND IS EXPECTED TO EXHIBIT A HIGH DEGREE OF VOLATILY AND MAY BE SUBJECT TO LARGE DRAWDOWNS FROM TIME TO TIME. UNDER CERTAIN CIRCUMSTANCES IT IS POSSIBLE THAT THE FUND COULD LOSE 100% OF ITS VALUE.**

Investors should consider a number of factors in assessing the risks associated with investing in Units, including those generally associated with the investment strategies used by the Manager, and certain tax matters. See "Risk Factors".

**Canadian Federal Income Tax Consideration:**

Each Limited Partner will generally be required to include, in computing income or loss for tax purposes for a taxation year, his or her share of the income or loss allocated to such Limited Partner for each fiscal year of the Fund ending in or coincidentally with the Limited Partner's taxation year, whether or not he or she has received a distribution from the Fund. Income and loss of the Fund for tax purposes will be allocated in accordance with the provisions of the Limited Partnership Agreement. See "Canadian Federal Income Tax Considerations".

**Not RSP Eligible:**

The Units **do not** constitute qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, tax-free savings accounts, registered education savings plans, deferred profit sharing plans or registered disability savings plans for the purposes of the Tax Act.

## FEES AND EXPENSES

**Management Fee:**

The Fund pays the Manager a monthly fee equal to: (i) 1/12 of 2% of the Net Asset Value (determined in accordance with the Limited Partnership Agreement) attributable to the Class A Units and (ii) 1/12 of 1.5% of the Net Asset Value attributable to the Class F Units plus any applicable HST, calculated and payable at the beginning of each month based on the Net Asset Value as at the end of the immediately preceding month. The management fees for Class I Units are paid directly by the Class I Unitholders, not by the Fund. Investors who purchase Class I Units must enter into an agreement with the Manager that identifies the management fee negotiated with the investor and payable by the investor directly to the Manager. No sales commission or trailing commissions are payable by the Manager for investments in Class I Units. The General Partner has the discretion to issue additional classes of Units that may be subject to different management fees.

**Profit Account:**

A portion of the net profits of the Class A and Class F Units for a fiscal year are allocated to the General Partner to the extent of a positive balance in a running account (the "**Profit Account**"), and the Limited Partners are entitled to the remainder. The Profit Account is computed on a Valuation Date as (i) the positive or negative balance in the account carried forward

from the immediately preceding Valuation Date; plus (ii) 20% of net profits of the Class for the period following the previous Valuation Date; minus (iii) 20% of net losses of the Class during such period; and (iv) any distribution of income made to the General Partner after the previous Valuation Date. Thus, assuming there is no balance in the Profit Account to carry forward from a previous fiscal year, the net profits of the Class for a fiscal year will be allocated as to 20% to the General Partner and as to 80% to the Limited Partners.

For Class I Units, the Profit Account will be calculated in accordance with the applicable agreement with the Unitholder.

Through the mechanism of the Profit Account, to the extent that the Class incurs net losses in any fiscal year, such losses will be carried forward to effectively offset profits on which the General Partner's share of income would otherwise be calculated in any subsequent year. See "Distributions and Computation and Allocation of Net Profits or Losses".

Sales Commission: There is no commission payable to the Manager, in its capacity as an exempt market dealer, in respect of Units purchased directly by an investor. An investor may pay a negotiated fee if purchasing through a dealer. Subject to applicable law, the Manager may pay a negotiated referral fee or trailing commission to dealers or other persons in connection with a sale of Units, provided investors are advised in writing by the selling dealer of any such fee at the time of investment.

Service Fee and Commissions: The Manager will pay an annual service fee (the "**Service Fee**") with respect to the Class A Units only, to participating registered dealers of up to 0.5% of the Net Asset Value per Class A Unit calculated as of the quarterly valuation date multiplied by the number of Class A Units held by the clients of such registered dealer, agent or broker during such quarter. Payments are calculated and paid quarterly. The Fund shall not reimburse the Manager for any service fees.

No service fee is payable in respect of the Class F and Class I Units.

**Expenses:**

The Fund is responsible for the payment of all fees and expenses relating to its establishment and operation, including registrar and transfer agent fees and expenses, audit, accounting, administration, record keeping and legal fees and expenses, custody and safekeeping charges, all costs and expenses associated with offering securities of the Fund for sale, providing financial and other reports to Limited Partners and convening and conducting meetings of Limited Partners, all taxes, assessments or other governmental charges levied against the Fund, interest and all brokerage and other fees relating to the purchase and sale of the assets of the Fund. The Fund is generally required to pay HST on the fees and expenses that it pays.

The Manager may from time to time pay for certain operating expenses of the Fund to maintain the Fund's management expense ratio at a competitive level. The management expense ratio is the fees and operating expenses (including HST) paid by a fund expressed as a percentage of its

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|---|---|
| | average net assets during the year. |
| **Year End:** | December 31 |

**PROFESSIONAL ADVISORS**

| | |
|---|---|
| **Auditors to the Fund:** | KPMG LLP<br>Toronto, Ontario |
| **Legal Counsel to the Fund:** | Stikeman Elliott LLP<br>Toronto, Ontario |
| **Custodian and Prime Broker to the Fund:** | CIBC World Markets Inc.<br>Toronto, Ontario |
| **Administrator:** | SGGG Fund Services Inc.<br>Toronto, Ontario |

**VENATOR SELECT FUND**

Venator Select Fund (the "**Fund**") is a limited partnership formed and organized under the laws of the Province of Ontario pursuant to the *Limited Partnerships Act* (Ontario) by declaration dated August 8, 2013. The Fund is governed by the provisions of a limited partnership agreement as amended and restated from time to time (the "**Limited Partnership Agreement**"), a copy of which is available from the General Partner. The offices of the General Partner are located at 2 Bloor Street West, Suite 901, Toronto, Ontario, M4W 3E2.

The beneficial interests in the Fund are divided into an unlimited number of retractable, redeemable limited partnership units (collectively, the "**Units**"), issuable in classes and series. The Fund is offering Class A, Class F and Class I Units. The only difference between the Class A, Class F and Class I Units is the calculation of the Management Fee, Service Fee and Profit Allocation (as defined herein) payable in respect of the Units of each class, as described under "Fees and Expenses". As a result, the Net Asset Value per Unit of each class of Units will not be the same. Class A Units are available to all investors, including those investors that purchase Class A Units through a registered dealer. Class F Units are only available to investors that have or arrange to have fee-based accounts with a registered dealer. Class I units are available to institutional investors or to other investors on a case-by-case basis, all at the discretion of the Manager. See "Fees and Expenses".

Each Unit of a class has rights and privileges equal to each other Unit of the same class, and each Unit of a series is equal to each other Unit of the same series with respect to all matters. The respective rights of Limited Partners of each class and/or series will be proportionate to the net asset value (the "**Net Asset Value**") of such class and/or series relative to the Net Asset Value of each other class and/or series, as applicable. See "Description of Units" and "Valuation of Assets and Computation of Net Asset Value". Net profits of the Fund will be allocated as set forth under "Distributions and Computation and Allocation of Net Profits or Losses".

A subscriber for Units will become a Limited Partner of the Fund upon the acceptance by the Manager of the duly completed Subscription Agreement and the recording of the subscriber as a Limited Partner of the Fund in the record of Limited Partners maintained by the General Partner pursuant to the *Limited Partnerships Act* (Ontario). Holders of Units are hereinafter referred to as "Limited Partners".

## INVESTMENT OBJECTIVE, STRATEGIES AND RESTRICTIONS

### Investment Objective

The investment objective of the Fund is to provide capital growth by concentrating its investments in a select number of opportunities. The portfolio will consist primarily of securities that generate capital gains but may also include investments that generate income. The Manager intends to invest long and short in stocks, bonds and commodities, directly or indirectly, to provide the best capital appreciation potential. The allocation of long and short positions will vary depending on the opportunities the Manager believes have the best reward per unit of risk.

### Investment Strategies

To achieve its investment objective the Fund will primarily invest long and short in various securities including, but not limited to, stocks, derivatives, bonds and commodities, real estate, mortgages and financial products.

The focus of the Fund's investments will be on North American companies, including but not limited to information technology, telecommunications, healthcare, professional services, energy/mining services, construction, consumer discretionary, retail, steel, housing and media/entertainment. Although it is anticipated that the majority of the Fund's investments will be in North American equities, this will not preclude investments in foreign markets if suitable opportunities arise. The Fund may engage in "private equity" activities such as the purchase of non-publicly traded equity of private companies. The Fund may own non-public securities including but not limited to special warrants, debt obligations, and private investments in public equity (PIPEs), as well as selected securities of private companies including but not limited to publicly traded debt of private companies.

The Fund may engage in special opportunities trading from time to time to earn its return, including investing in event-driven situations such as private placements, initial public offerings, convertible debt and equity offerings, corporate restructurings, mergers, hostile takeovers or bankruptcies or other material events.

In order to generate additional returns, the Fund may lend its securities to borrowers acceptable to the Manager pursuant to the terms of a securities lending agreement between the Fund and any such borrower.

The Manager may make use of options and other derivatives in order to mitigate risk (e.g. the Manager may choose to buy put options rather than short sell a highly volatile security as to limit the Funds' exposure), enhance returns (e.g. the Fund may find itself owning warrants as part of a public financing of special warrants; in addition the Fund may participate in option selling strategies), or synthesize returns where direct investments are unavailable or are not tax-efficient.

As the Fund's goal is to maximize returns in Canadian dollar terms, the Fund will also engage in the borrowing of foreign currencies to purchase foreign investments, rather than buying them with Canadian dollars which could result in currency fluctuation risk.

### Investment Restrictions

Investments made by the Fund shall be subject to the investment restrictions ("**Investment Restrictions**") set out in the Limited Partnership Agreement, including those described in paragraphs 1 to 5 below. The Investment Restrictions may be changed by the agreement of the General Partner and the Manager without notice to Limited Partners provided that such change is in accordance with

the investment objective of the Fund. All amounts and percentage limitations apply only immediately after a transaction, and any subsequent change in any applicable percentage resulting from changing values will not require the disposition of any security from the Fund's portfolio. The Investment Restrictions of the Fund include the following:

1. *Leverage Restrictions* - The proportion of long positions versus short positions will be a function of the Manager's ability to find attractive situations and the strategy being employed. In any event, the aggregate market exposure of the Fund's short positions will not exceed 500% of the Net Asset Value, and the Fund's long positions will not exceed 500% of the Net Asset Value, provided that the net exposure of the Fund (to both long and short positions) will not exceed 500% of the Net Asset Value.

2. *Cash* - The amount of cash and cash equivalents held by the Fund will fluctuate and may at times be significant.

3. *Purchasing Securities* - The Fund will not purchase securities other than through normal market facilities unless the purchase price thereof approximates or is less than the prevailing market price or is negotiated or established on an arm's length basis by the Manager.

4. *Securities Lending* – In order to generate additional returns, the Fund may lend securities to borrowers acceptable to the Fund pursuant to the terms of a securities lending agreement between the Fund and any such borrower. Under any securities lending arrangement: (i) the borrower will pay a negotiated securities lending fee and will make compensation payments equal to any distributions received by the borrower on the securities borrowed; (ii) the securities loans must qualify as "securities lending arrangements" for the purposes of the Tax Act; and (iii) the Fund will receive prescribed collateral security.

5. *Sole Undertaking* - The Fund will not engage in any undertaking other than the investment of the Fund's assets in accordance with the investment objective and investment strategies of the Fund.

## MANAGEMENT OF THE FUND

### The General Partner

Venator Genpar Ltd. (the "**General Partner**"), a corporation incorporated on January 9, 2006 under the laws of Ontario, was formed for the purpose of acting as the general partner of the Fund. The General Partner is responsible for the management of the ongoing business, investment and administrative affairs of the Fund, but has delegated most of these responsibilities to the Manager.

The name, municipality of residence, position with the General Partner and principal occupation of the sole director and officer of the General Partner are as follows:

| Name and Municipality of Residence | Position with the General Partner | Principal Occupation |
|---|---|---|
| BRANDON OSTEN<br>Toronto, Ontario | Director and President | CEO, Director and Portfolio Manager of Venator Capital Management Ltd. |

Profits and losses of the Fund, net of the Profit Account, for any fiscal year will be allocated as to 99.99% to the Limited Partners and as to 0.01% to the General Partner. Upon the dissolution of the

Fund, the remaining net assets of the Fund will be allocated as to 99.99% to the Limited Partners and as to 0.01% to the General Partner.

Net profits of the Fund for a fiscal year are allocated to the General Partner to the extent of a positive balance in a running account, the Profit Account, and the Limited Partners are entitled to the remainder. The Profit Account is computed on a Valuation Date as (i) the positive or negative balance in the account carried forward from the immediately preceding Valuation Date; plus (ii) 20% of net profits of the Fund for the period following the previous Valuation Date; minus (iii) 20% of net losses of the Fund during such period; and (iv) any distribution of income made to the General Partner after the previous Valuation Date. Thus, assuming there is no balance in the Profit Account to carry forward from a previous fiscal year, the net profits of the Fund for a fiscal year will be allocated as to 20% to the General Partner and as to 80% to the Limited Partners. Through the mechanism of the Profit Account, to the extent that the Fund incurs net losses in any fiscal year, such losses will be carried forward to effectively offset profits on which the General Partners' share of income would otherwise be calculated in any subsequent year. See "Distributions and Computation and Allocation of Net Profits or Losses".

**The Manager**

The General Partner, on behalf of the Fund, has retained Venator Capital Management Ltd. (the "**Manager**") to provide management and investment advisory services to the Fund.

The Manager was incorporated under the laws of Ontario on October 21, 2005. The Manager's principal office is at 2 Bloor Street West, Suite 901, Toronto, Ontario, M4W 3E2. In its capacity as manager of the Fund, Venator Capital Management Ltd. provides day-to-day management of the Fund's business operations and affairs and manages the Fund's trading activities in accordance with the Fund's investment objective pursuant to a management agreement (the "**Management Agreement**") made as of August 21, 2013 between the General Partner, on behalf of the Fund, and the Manager. Under the Management Agreement, the Manager is solely responsible for all investment decisions of the Fund.

The Fund pays the Manager a monthly fee (the "**Management Fee**") equal to 1/12 of 2% of the Net Asset Value (determined in accordance with the Limited Partnership Agreement) attributable to the Class A Units and (ii) 1/12 of 1.5% of the Net Asset Value attributable to the Class F Units plus any applicable HST, calculated and payable at the beginning of each month based on the Net Asset Value as at the end of the immediately preceding month. The management fees for Class I Units are paid directly by the Class I Unitholders, not by the Fund. Investors who purchase Class I Units must enter into an agreement with the Manager that identifies the management fee negotiated with the investor and payable by the investor directly to the Manager. The Manager has the discretion to issue additional classes of Units that may be subject different management fees.

The Management Agreement provides that the Manager will not be liable to the Fund, the General Partner or any Limited Partner for any loss suffered by the Fund, the General Partner or any Limited Partner, as the case may be, which arises out of any action or inaction of the Manager if such course of conduct did not constitute negligence or misconduct of the Manager and if the Manager, in good faith, determined that such course of conduct was in the best interests of the Fund. The Management Agreement also provides that the Manager and its principals, shareholders, officers, directors, agents and employees are entitled to indemnification out of the assets of the Fund against expenses (including legal fees, judgments and amounts paid in settlement, provided that the General Partner has approved such settlement) actually and reasonably incurred by such party in connection with the Fund, provided such expenses were not the result of any action or inaction of such party that

constituted negligence or misconduct of such party and such action or inaction was done in good faith and in a manner which such party reasonably believed to be in the best interests of the Fund.

The Manager will select brokers to transact trades on behalf of the Fund. The assets of the Fund will be held by such brokers including any assets which are required to satisfy the broker's margin requirements.

The Management Agreement provides for a continuing term with no provision for an expiry date and may be terminated by either party giving to the other not less than 90 days' notice in writing. The General Partner may, in its sole discretion, terminate and replace the Manager where it deems it to be in the best interests of the Fund.

**Officers and Directors of the Manager**

The name, municipality of residence, position with the Manager and principal occupation of the directors and officers of the Manager are as follows:

| Name and Municipality of Residence | Position with the Manager | Principal Occupation |
|---|---|---|
| BRANDON OSTEN ..... Toronto, Ontario | CEO, Director and Portfolio Manager | CEO, Director, and Portfolio Manager, Venator Capital Management Ltd. |
| STEPHEN ANDERSONS..... Toronto, Ontario | President, Director and Portfolio Manager | President, Director and Portfolio Manager, Venator Capital Management Ltd. |
| SUSAN NAYLOR ..... Burlington, Ontario | Chief Financial Officer and Chief Compliance Officer | Chief Financial Officer, Venator Capital Management Ltd. |

**Brandon Osten, CFA**

The portfolio manager of the Manager that has primary responsibility for providing investment advice to the Fund is Brandon Osten, CFA. Prior to founding Venator Capital Management Ltd., Brandon Osten was an equity analyst and Director of Sprott Securities Inc., specializing in High Technology, Health Care and U.S. Special Situations. Brandon got his start in the investment business after graduating from the Ivey School of Business at the University of Western Ontario, continuing his education with the completion of the CFA program in 1999.

After spending time as a research associate in the fields of Energy Services and Market Forecasting, Brandon was promoted to Research Analyst in 1999. Brandon quickly made a name for himself with several prominent negative recommendations while discovering several promising companies, offering both long and short opportunities to institutional clients. As an integral member of the group that bought Sprott Securities Inc. from its founder Eric Sprott in 2000, Brandon became a Director of Sprott Securities Inc.

Brandon was the top-ranked software analyst in Canada among non-tier 1 banks in 2001 (#5 overall) and 2002 (#2 overall) according to Brendan Woods International, as well as a Zacks All-Star (top quintile in North America) in those same years. In 2003, Brandon was recognized as "The Best on the Street" by the Wall Street Journal ranking as #1 in software in North America and #5 among all

sectors. In 2004, Brandon intensified his research efforts in the United States with coverage of technology and special situations, with a goal of uncovering the "hidden gems" that had become his calling card in Canada. In 2005, Brandon branched out into the healthcare field before leaving Sprott Securities Inc. in June of that year.

**Stephen Andersons, CFA**

Stephen joined Venator in January 2008 and has been in the investment industry since 1994 in various capacities including trading, analyst and management roles. Most recently, Stephen was the Co-Head of Research and a Director at Cormark Securities Inc., where he followed Healthcare, Aerospace and Special Situations. Stephen started his career at Sceptre Investment Counsel working in various junior positions. In 1997 he moved to Newcrest Capital Inc. (now part of TD Securities Inc.) as part of the trading desk. After a year and a half on the trading desk Stephen became an associate analyst covering chemicals and fertilizer companies at Newcrest Capital Inc. In 2000, Stephen was hired by Orion Securities (now a part of Macquarie Capital Markets) as an analyst covering Canadian technology companies and was ranked as the top Canadian hardware technology analyst by StarMine in 2002. That same year Stephen was offered the opportunity to search for undiscovered, undervalued U.S. companies at Sprott Securities Ltd. (now Cormark Securities Inc.), where Stephen and Brandon worked together building the foundation of the current strategies of the Manager. Stephen obtained his CFA designation in 2001.

**Susan Naylor, CA**

Susan joined Venator in April 2012. She has been in the investment industry since 1992 in various financial management roles. Most recently, Susan was Vice President, Finance with Northwater Capital Management Ltd. She is a Chartered Accountant and spent the first 10 years of her career with KPMG LLP.

## FEES AND EXPENSES

**Fees and Expenses**

The Fund will pay the Manager a monthly fee equal to: (i) 1/12 of 2% of the Net Asset Value (determined in accordance with the Limited Partnership Agreement) attributable to the Class A Units and (ii) 1/12 of 1.5% of the Net Asset Value attributable to the Class F Units, plus any applicable HST, calculated and payable at the beginning of each month based on the Net Asset Value as at the end of the preceding month. The management fees for Class I Units are paid directly by the Class I Unitholders, not by the Fund. Investors who purchase Class I Units must enter into an agreement with the Manager that identifies the management fee payable by the investor directly to the Manager. The Manager has the discretion to issue additional classes of Units that may be subject to different management fees. In addition, the General Partner will be entitled to share in the profits of the Fund. See "Contributions, Allocations and Distributions".

The Fund is responsible for the payment of all fees and expenses relating to its establishment and operation, including registrar and transfer agent fees and expenses, audit, accounting, administration, record keeping and legal fees and expenses, custody and safekeeping charges, all costs and expenses associated with offering securities of the Fund for sale, providing financial and other reports to Limited Partners and convening and conducting meetings of Limited Partners, all taxes, assessments or other governmental charges levied against the Fund, interest and all brokerage and other fees relating to the purchase and sale of the assets of the Fund. The Fund is generally required to pay HST on the fees and expenses that it pays.

The Manager may from time to time pay for certain organizational and operating expenses of the Fund to maintain the Fund's management expense ratio at a competitive level. The management expense ratio is the fees and operating expenses (including HST) paid by a fund expressed as a percentage of its average net assets during the year.

## LIMITED PARTNERSHIP AGREEMENT

This summary of the Limited Partnership Agreement is qualified in its entirety by the terms of the Limited Partnership Agreement. The rights and obligations of the Limited Partners and the General Partner under the Limited Partnership Agreement are governed by the laws of the Province of Ontario.

A subscriber for Units will become a Limited Partner of the Fund upon the acceptance by the Manager of the duly completed Subscription Agreement and the recording of the subscriber as a Limited Partner of the Fund in the record of Limited Partners maintained by the General Partner pursuant to the *Limited Partnerships Act* (Ontario).

### The Units

The Fund can issue an unlimited number of limited partnership units of such classes as the General Partner may determine from time to time. Class A Units, Class F Units and Class I Units have been authorized for issuance and the Fund is authorized to issue an unlimited number of Units of each class. Each Unit of a class or series shall be equal to each other Unit of such class or series with respect to all matters including the right to receive distributions from the Fund, and no Unit shall have any preference or right in any circumstances over any other Unit, provided that the respective rights of Limited Partners of each class and/or series will be proportionate to the Net Asset Value attributable to such class and/or series relative to the Net Asset Value attributable to each other class and/or series, as applicable. Each Limited Partner shall be entitled to one vote for each whole Unit held by him in respect of all matters to be decided by the Limited Partners. The Units represent the right to participate in all the profits or losses of the Fund. Title to Units is conclusively evidenced by the record of Limited Partners maintained by the General Partner. Certificates for Units will not be issued. However, on any purchase or redemption of Units, the Manager will issue confirmation slips indicating the nature of the transaction effected by the Limited Partner and the number of Units held by such Limited Partner after such transaction. Each class of Units may be subject to different management fees.

### Functions and Powers of the General Partner

The General Partner is responsible for the management of the ongoing business, investment and administrative affairs of the Fund, but has delegated most of these responsibilities to the Manager. The General Partner is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Fund and to exercise the care, diligence and skill of a prudent and qualified administrator. The Limited Partnership Agreement imposes certain restrictions on the General Partner.

By executing the Subscription Agreement, including the power of attorney forming part thereof, each Limited Partner authorizes the General Partner to make any and all elections, determinations or designations under the Tax Act, and to make any filings and disclose any information required by any law or regulation in Canada to any federal or provincial government or regulator on behalf of the Fund and the Limited Partner.

The Limited Partnership Agreement provides that the General Partner assumes no responsibility to the Fund and will bear no liability to the Fund or any Limited Partner for any loss

suffered by the Fund which arises out of any action or inaction of the General Partner if such course of conduct did not constitute negligence or misconduct of the General Partner and if the General Partner, in good faith, determined that such course of conduct was in the best interests of the Fund. The Limited Partnership Agreement also provides that the General Partner is entitled to indemnification out of the assets of the Fund against expenses, including legal fees, judgments and amounts paid in settlement, actually and reasonably incurred by the General Partner in connection with the Fund, provided such expenses were not the result of negligence or misconduct on the part of the General Partner. Similar provisions are included in the Management Agreement as they relate to the Manager.

**Transfer of Units**

The Units are only transferable in compliance with applicable securities laws and with the written consent of the Manager. Provided proof of compliance with applicable law satisfactory to the Manager in its sole discretion is provided, as well as a duly executed form of transfer attached as Schedule A to the Limited Partnership Agreement and such other evidence of endorsement or authorization as the Manager may reasonably require, the Manager will provide written consent approving the transfer. A transfer will not be effective unless and until it is recorded on the record of Limited Partners.

Pursuant to the provisions of the transfer, when the transferee of a Unit has been registered as a Limited Partner, the transferee will become a party to the Limited Partnership Agreement and will be subject to the obligations and entitled to the rights of a Limited Partner under the Limited Partnership Agreement. A transferor of Units will remain liable to reimburse to the Fund for any amounts distributed to him or her by the Fund which may be necessary to restore the capital of the Fund to the amount existing immediately prior to such distribution, if the distribution resulted in a reduction of the capital of the Fund resulting in the inability of the Fund to pay its debts as they became due.

**Meetings**

The Manager may at any time convene a meeting (whether of all Limited Partners or a particular class) and will be required to convene a meeting on receipt of a request in writing of Limited Partners holding, in the aggregate, 50% or more of the Units (whether of the Fund or of a particular class) then outstanding entitled to vote on the matter. Each whole Unit of a class entitles a Limited Partner to one vote at a meeting where all Limited Partners of the Fund vote together or to one vote at a meeting where Limited Partners of a particular class vote separately as a class. Only Limited Partners of record of the applicable class or classes on the date of the meeting shall be entitled to vote at such meeting. The General Partner is entitled to one vote in its capacity as General Partner. A quorum consists of two or more Limited Partners present in person or represented by proxy holding at least 5% of the Units (whether of the Fund or of a particular class) then outstanding except for purposes of: (i) passing an Extraordinary Resolution in which case such persons must hold at least 50% of the Units then outstanding and entitled to vote thereon; and (ii) passing a Extraordinary Resolution to remove the General Partner, in which case such persons must hold at least 50% of the Units then outstanding and entitled to vote thereon. If a quorum is not present at a meeting within thirty minutes after the time fixed for the meeting, the meeting, if convened upon the request of Limited Partners, shall be dissolved, but in any other case, the meeting shall stand adjourned to such day being not more than 30 days later and to such place and time as may be appointed by the chairman of the meeting (which for greater certainty can be at a later time on the date of the originally scheduled meeting) and if at such adjourned meeting a quorum as defined above is not present, the Limited Partners present either personally or by proxy at such adjourned meeting shall be deemed to constitute a quorum. A meeting of Limited Partners (whether of the Fund or of a particular class) may be held by means of such telephone, electronic or other communication facilities as permit all persons

participating in the meeting to communicate with each other simultaneously and instantaneously, and a Limited Partner participating in such a meeting by such means is deemed to be present at that meeting.

The insiders and affiliates of the General Partner and any director or officer of such persons, if any, will not be permitted to vote on any resolution to replace the General Partner. An "**Extraordinary Resolution**" is a resolution passed by not less than two-thirds of the votes cast at a duly constituted meeting of Limited Partners or an instrument in writing signed by two-thirds of the Limited Partners.

**Amendments**

Except as described therein, the Limited Partnership Agreement may only be amended with the consent of the Limited Partners given by Extraordinary Resolution. However, no amendment can be made to the Limited Partnership Agreement which would have the effect of reducing the interest in the Fund of the Limited Partners, changing the liability of any Limited Partner, allowing any Limited Partner to participate in the control of the business of the Fund, changing the right of a Limited Partner to vote at any meeting or changing the Fund from a limited partnership to a general partnership. Limited Partners may, by Extraordinary Resolution, remove the General Partner and by ordinary resolution appoint a new General Partner, who, upon acceptance, will assume all managerial duties, powers and obligations imposed upon or granted to the General Partner under the Limited Partnership Agreement. No amendment which would adversely affect the interests of the General Partner may be made without the General Partner's consent.

The General Partner is entitled to make certain amendments to the Limited Partnership Agreement without the consent of the Limited Partners for the purpose of adding any provisions which, in the opinion of counsel to the Fund, are for the protection or benefit of the Limited Partners or the Fund, for the purpose of curing an ambiguity, for the purpose of reflecting any changes to any applicable legislation, or for the purpose of supplementing any provision which may be defective or inconsistent with another provision. Such amendments may only be made if they will not materially adversely affect the interest of any Limited Partner.

**Power of Attorney**

The Limited Partnership Agreement, the transfer form forming a part thereof and the Subscription Agreement include an irrevocable power of attorney authorizing the General Partner on behalf of the Limited Partners to execute the Limited Partnership Agreement, any amendments to the Limited Partnership Agreement and all instruments necessary to reflect the dissolution and termination of the Fund, all information and documents necessary to be filed with any government or regulatory authority in Canada in connection with the activities, property, assets and undertaking of the Fund as well as any elections, determinations or designations under the Tax Act or taxation legislation of any province or jurisdiction with respect to the affairs of the Fund or a Limited Partner's interest in the Fund.

## PURCHASE OF UNITS

**General**

The distribution of Units is being made to investors on a private placement basis only and is exempt from the requirement that the Fund prepare and file a prospectus with the relevant Canadian securities regulatory authorities.

Closings may occur at the discretion of the Manager on each Valuation Date, subject to applicable law. Units subscribed for will be issued for a purchase price equal to the Net Asset Value per Unit on such Valuation Date.

**Subscription Procedure**

Prospective investors who wish to subscribe for Units must complete, execute and deliver the Subscription Agreement which accompanies this Offering Memorandum to the Manager together with cheque(s) or a wire transfer, each in the name of the Fund (or other form of funds transfer acceptable to the Manager) representing payment of the subscription price. Subscription funds will not be accepted prior to a Valuation Date. Subscriptions for Units are subject to acceptance or rejection in whole or in part by the Manager in its sole discretion. In the event a subscription for Units is rejected, any subscription funds forwarded by the investor will be returned without interest or deduction. In the event that a subscription for Units is accepted, the investor will be recognized as a purchaser (a "**Purchaser**"). The Net Asset Value per Unit for subscriptions which are received and accepted by the Manager prior to 4:00 p.m. (Toronto time) on a Valuation Date will be calculated as of that Valuation Date. Otherwise the Net Asset Value per Unit will be calculated on the next Valuation Date. See "Valuation of Assets and Computation of Net Asset Value".

The Net Asset Value (and Net Asset Value per Unit) determined for the purposes of a subscription or redemption which takes place other than at year-end will include an accrual of the Profit Account based on returns of the Fund in the year to the date of the issuance or redemption from the date of commencement of the fiscal year to the date of the issuance or redemption.

**Minimum Investment**

The minimum subscription amount for investors who are "accredited investor" under National Instrument 45-106 *Prospectus Exemptions* ("**NI 45-106**") is $250,000 for Class A and Class F Units, and $10 million for Class I Units, or such lesser amount as the Manager may accept. A list of accredited investors (as defined in NI 45-106) is set out in the Subscription Agreement accompanying to this Offering Memorandum, but generally includes individuals who have net investment assets exceeding $1,000,000, personal income exceeding $200,000 or combined spousal income exceeding $300,000 (in the previous two calendar years with a reasonable expectation of exceeding the same net income level in the current year).

Following the required initial minimum investment in the Fund, Limited Partners who are accredited investors may make subsequent investments of not less than $100,000. The Manager may from time to time permit additional investments of lesser amounts in its sole discretion.

**Acquisition Charge**

There is no commission payable to the Manager in respect of Units purchased directly by a Purchaser from the Manager.

**Prospectus Exemptions and Investor Representations**

The distribution of the Units is being made on a private placement basis only and is exempt from the requirement that the Fund prepare and file a prospectus with the relevant Canadian securities regulatory authorities. Unless a Purchaser can establish to the Manager's satisfaction that another exemption is available, this will generally require that each investor is investing as principal (and not for or on behalf of any other persons) and is an "accredited investor" under applicable securities laws.

Investors will be required to make certain representations in the Subscription Agreement and the General Partner and the Manager will rely on such representations to establish the availability of the exemptions under NI 45-106. No subscription will be accepted unless the General Partner and the Manager are satisfied that the subscription is in compliance with applicable securities laws. **Investors that are not individuals must also represent to the General Partner and the Manager (and may be required to provide additional evidence at the request of the General Partner and the Manager to establish) that such investor was not formed solely in order to make private placement investments that may not have otherwise been available to any persons holding an interest in such investor.**

The following persons and entities may not invest in this Fund:

(a) "non-Canadians" within the meaning of the *Investment Canada Act* (Canada),

(b) "non-residents", "tax shelters", or any entities an interest in which is a "tax shelter investment", all within the meaning of the Tax Act, and

(c) a partnership which does not have a prohibition against investment by the foregoing persons.

In the event that any Limited Partner subsequently becomes a "non-Canadian", a "non-resident" of Canada, a tax shelter, or an entity in which an investment is a tax shelter investment, or a partnership with any of the foregoing as a member, the Limited Partnership Agreement requires such persons to immediately notify the General Partner in writing of such change in status, and such Limited Partner's Units may be redeemed by the Fund on the next Valuation Date, or such other date as the General Partner may determine.

In addition, any Limited Partner that is or becomes a "financial institution" within the meaning of Section 142.2 of the Tax Act (as same may be amended or replaced from time to time) shall disclose such status to the General Partner at the time of subscription (or when such status changes) and the General Partner may restrict the participation of any such Limited Partner or require any such Limited Partner to redeem all or some of such Limited Partner's Units. See "Subscription Procedure".

By executing the Subscription Agreement, each subscriber is acknowledging that the investment portfolio and trading procedures of the Fund are proprietary in nature and agrees that all information relating to such investment portfolio and trading procedures shall be kept confidential by such subscriber and will not be disclosed to third parties (excluding the subscriber's professional advisors) without the written consent of the General Partner.

See "Limited Partnership Agreement - The Units" for a brief summary of the attributes of the Units. Reference is made to the Limited Partnership Agreement for a full and complete description of such attributes.

The Manager and the General Partner are controlled by the same individual and, as a result, the Fund may be considered to be a connected issuer and related issuer of the Manager. The General Partner made the decision to create the Fund and distribute its Units and determined the terms of the Offering and accordingly may be considered to be a "promoter" of the Fund. Except for the Management Fee payable to the Manager, none of the proceeds of the Offering will be applied, directly or indirectly for the benefit of the Manager. See "Management of the Fund—The Manager". For additional information regarding potential conflicts of interest, see "Conflicts of Interest".

## REDEMPTION OF UNITS

**Redemptions at the Option of the Limited Partner**

An investment in Units is intended to be a long-term investment. However, Units may be redeemed by Limited Partners at their Net Asset Value on any Valuation Date, provided that the request for redemption is submitted at least 45 days prior to such Valuation Date. Redemption proceeds will be paid to the withdrawing Limited Partner not later than the 30th day following the applicable Valuation Date.

Any written request for the redemption of Units shall be deemed to constitute the entire notice to the Fund and, shall, unless the Manager determines otherwise in its sole discretion, supersede all previous requests, communications, representations, understandings and agreements, written or verbal, between the Limited Partner and the Fund with respect to the redemption of Units including, but not limited to, any prior notices of redemption.

The Manager reserves the right to hold back up to 20% of the aggregate redemption proceeds to provide an orderly disposition of assets. The term of such holdback will not exceed a reasonable time period, having regard to the applicable circumstances.

Any investor whose total combined investment in the Fund represents 10% or greater of the Net Asset Value, when measured at market value, is restricted from filing a redemption notification which exceeds 10% of the Net Asset Value of the Fund when measured at market value.

If on any redemption date the Manager has received requests to redeem Units representing 10% or more of the Net Asset Value of the Fund, the Manager will redeem a pro-rated amount of each such redemption request up to a total of 10% of the Net Asset Value of the Fund (the "**Initial Redemption**"). After the Initial Redemption, the redemption of any Units which have been surrendered but not redeemed, if any, will be deferred to the following Valuation Date in order to permit an orderly liquidation of security positions to meet such redemption. The redemption price for any such deferred redemptions shall be calculated as of the Valuation Date upon which such redemption actually occurs. The Manager has the sole discretion to accept or reject redemption requests and intends to accept redemption requests in circumstances where it would not be prejudicial to the Fund.

The Manager may suspend redemption rights for any period when normal trading is suspended on any stock exchange, options exchange or futures exchange on which securities or derivatives are traded which, in the aggregate, represent more than 50% of the Net Asset Value of the Fund.

**Redemption at the Option of the Fund**

The Manager shall have the right to require a Limited Partner to redeem some or all of the Units owned by such Limited Partner on a Valuation Date at the Net Asset Value per Unit thereof, by notice in writing to the Limited Partner given at least 30 days before the date of redemption (or such lesser period as the Manager in its discretion may determine from time to time), which right may be exercised by the Manager in its absolute discretion.

At the option of the Manager, payment of all or part of any redemption proceeds may, subject to compliance with applicable securities law, be made in a *pro rata* portion of the Fund's securities portfolio.

Net Asset Value (and Net Asset Value per Unit) determined for the purposes of a redemption which takes place other than at year-end will reflect a reduction to take into account the Manager's share of net profits based on the returns of the Fund in the year to the date of the redemption.

## RESALE RESTRICTIONS

The distribution of Units in Canada is being made pursuant to this Offering Memorandum only on a private placement basis and is exempt from the requirement that the Fund prepare and file a prospectus with the relevant Canadian securities regulatory authorities. Accordingly, any resale of the Units that is permitted pursuant to the Limited Partnership Agreement must be in accordance with applicable securities laws, which will vary depending on the relevant jurisdiction, and which may require resales to be made in accordance with, or pursuant to exemptions from, prospectus requirements.

Furthermore, no transfers of Units may be made unless the Manager, in its sole discretion, approves both the transfer and the proposed transferee. There is no market for these Units and no market is expected to develop, therefore it may be difficult or even impossible for the investor to sell the Units.

Purchasers are advised to consult with their advisors concerning restrictions on resale and are further advised against reselling their Units until they have determined that any such resale is in compliance with the requirements of applicable legislation and the Limited Partnership Agreement.

## VALUATION OF ASSETS AND COMPUTATION OF NET ASSET VALUE

### Valuation of Assets

The Manager will, on the last business day of each calendar quarter and on such other dates as the Manager may prescribe (each, a "**Valuation Date**"), calculate the value of the Fund's assets as set forth below.

The net asset value of the Fund (the "**Net Asset Value**") consists of the aggregate value of the assets and liabilities of the Fund. The Manager will review and approve the valuation and will, from time to time, consider the appropriateness of the valuation policies adopted by the Fund, as such policies are modified from time to time in the discretion of the Manager, acting reasonably, and in the best interests of the Limited Partners.

### Net Asset Value

The Net Asset Value will be calculated by the Manager on each Valuation Date by subtracting the aggregate amount of the liabilities of the Fund from the total assets of the Fund. The total assets of the Fund will be valued as follows:

(a) the value of any security which is listed or publicly traded shall be the last trade prior to the end of the Valuation Date in which the Net Asset Value of the Fund is being valued (or such other value as IFRS may require or permit), as reported by any means in common use;

(b) the value of any cash on hand or on deposit, prepaid expenses, cash dividends received (or distributions declared payable to Limited Partners of record on a date before the Valuation Date as of which the Net Asset Value is being determined and to be received) and interest accrued and not yet received, shall be deemed to be the face amount thereof unless the Manager has determined that any such asset is not

otherwise worth the face amount thereof, in which case the value thereof shall be deemed to be such value as the Manager determines to be the fair value thereof;

(c) the value of a forward contract shall be the gain or loss with respect thereto that would be realized if, on the Valuation Date, the position in the forward contract were to be closed out in accordance with its terms, in which case fair value shall be based on the current market value of the underlying interests;

(d) the value of any bonds, debentures and other debt obligations will be valued by taking the average of the bid and ask prices on the Valuation Date at such times as the Manager, in its discretion, deems appropriate. Short-term investments, including notes and money market instruments, will be valued at cost plus accrued interest;

(e) if a Valuation Date is not a business day, then the securities and other property will be valued as if such Valuation Date was the preceding business day;

(f) the value of all securities that are not freely tradable shall be valued at the most recent arm's length third-party transaction value, or the lesser of the acquisition cost and the market price;

(g) the value of all assets quoted or valued in terms of foreign currency, the value of all funds on deposit and contractual obligations payable in foreign currency and the value of all liabilities and contractual obligations payable in foreign currency shall be determined using the applicable rate of exchange current at, or as nearly as practicable to, the date on which the Net Asset Value is computed; and

(h) if an investment cannot be valued under the foregoing rules or if the foregoing rules are at any time considered by the Manager to be inappropriate under the circumstances, then notwithstanding the foregoing rules, the Manager shall make such valuation as it considers fair and reasonable.

The process of valuing investments for which no published market exists is based on inherent uncertainties and the resulting values may differ from values that would have been used had a ready market existed for the investments and may differ from the prices at which the investments may be sold.

The Net Asset Value of a class or series will be calculated by the Manager by subtracting the aggregate amount of the liabilities (including fees and expenses) allocated to such class or series from the total assets of such class or series. The Net Asset Value per Unit is the amount obtained by dividing the Net Asset Value of each class and/or series of Units as of a particular date by the total number of Units of such class and/or series outstanding on that date. The Net Asset Value per Unit will be calculated on each Valuation Date by SGGG Fund Services Inc.

## DISTRIBUTIONS AND COMPUTATION AND ALLOCATION OF NET PROFITS OR LOSSES

### Distributions

The Fund does not intend to make regular distributions. If the Fund has taxable income for Canadian federal income tax purposes for a fiscal year, such income will be allocated to the Limited Partners in accordance with the provisions of the Limited Partnership Agreement as described therein under "Distributions and Computation and Allocation of Net Profits or Losses" and will be required to be included in computing their income for tax purposes, irrespective of the fact that cash may not have been distributed to investors. Since Units may be acquired or redeemed on a monthly basis and

allocations of income and losses of the Limited Partners will only be made on an annual basis, such allocations to a particular Limited Partner may not correspond to the economic gains and losses which such Limited Partner may experience. Distributions may be made in cash, in Units, or *in specie* at the election of the Fund.

**Computation and Allocation of Net Profits or Losses and Taxable Income or Loss**

A capital account will be established for the General Partner and each Limited Partner (collectively, the "**Partners**" and individually, a "**Partner**"). The initial balance of each Partner's capital account will be the amount of his or her initial contribution to the capital of the Fund.

Net profits and losses will be determined by the Fund's auditors in accordance with IFRS. Net profits of the Class A and Class F Units for each fiscal year are allocated to the General Partner to the extent of a positive balance in a running account, the Profit Account, and the Limited Partners are entitled to the remainder, subject to the General Partner's 0.01% interest described below. The Profit Account is computed on, and accrued on, each Valuation Date as (i) the positive or negative balance in the account carried forward from the immediately preceding Valuation Date; plus (ii) 20% of net profits of the Class for the period following the previous Valuation Date; minus (iii) 20% of net losses of the Class during such period; and (iv) any distribution of income made to the General Partner after the previous Valuation Date. Thus, assuming there is no balance in the Profit Account to carry forward from a previous fiscal year, the net profits of the Class A and Class F Units for a fiscal year will be allocated as to 20% to the General Partner and as to 80% to the Limited Partners. Through the mechanism of the Profit Account, to the extent that the Class incurs net losses in any fiscal year, such losses will be carried forward to effectively offset profits on which the General Partner's share of income would otherwise be calculated in any subsequent year. See "Distributions and Computation and Allocation of Net Profits or Losses".

For Class I Units, the Profit Account will be calculated in accordance with the applicable agreement with the Unitholder.

Generally, net profits or losses of the Class which are allocable to Limited Partners will be allocated, as at the end of each fiscal year of the Fund, to the Limited Partners in proportion to the number of such Units held by each of them, subject to adjustment to reflect subscriptions and redemptions made during the year, as described below. The profits or losses of the Fund, net of the Profit Account, for any fiscal year will be allocated as to 99.99% to the Limited Partners and as to 0.01% to the General Partner.

The Fund will allocate its taxable income or loss calculated in accordance with the provisions of the Tax Act to Limited Partners in the same manner as net profits and losses will be allocated.

## AUDITORS

The auditors of the Fund are KPMG LLP, Chartered Accountants, Toronto, Ontario.

## TRANSFER AGENT AND REGISTRAR

Fund accounting and record keeping will be the responsibility of the Manager, who may engage third party service providers in this regard. The fees of such service providers will be paid by the Fund.

## PRIME BROKER AND CUSTODIAN

CIBC World Markets Inc., Toronto, Ontario is the prime broker and custodian of the assets of the Fund.

## REPORTS TO LIMITED PARTNERS

The audited annual and unaudited semi-annual financial statements of the Fund will be prepared and sent to Limited Partners who elect to receive the financial statements in conformity with applicable securities law requirements, as these may be amended from time to time. Audited financial statements will be sent within 90 days of each fiscal year end and semi-annual financial statements of the Fund will be sent within 60 days of the end of the most recent interim period.

Within 90 days after the end of each fiscal year, the Manager will forward to each Limited Partner a report on taxable income or loss and distributions of cash to the Manager and the Limited Partners for such fiscal period and tax information to enable each Limited Partner to properly complete and file his or her tax returns in Canada in relation to an investment in Units. The annual financial statements of the Fund shall be audited by the Fund's auditors in accordance with generally accepted auditing standards. The Manager will forward to each Limited Partner quarterly unaudited financial information respecting the Net Asset Value per Unit within 30 days after the end of each calendar quarter.

## LIABILITY OF LIMITED PARTNERS AND REGISTRATION OF THE PARTNERSHIP

Under the laws of those provinces of Canada in which Units are being offered, a limited partner of a limited partnership organized under the laws of the Province of Ontario generally will not be liable, subject to certain exceptions, for the obligations of the partnership except in respect of the amount of property that such limited partner contributes or agrees to contribute to the capital of the partnership. A limited partner may not have such limited liability: (i) if he or she is also a general partner of the limited partnership; (ii) if he or she takes part in the management of the business of the limited partnership; (iii) if a certificate of the limited partnership contains a false statement which is relied upon by a person suffering loss and such limited partner became aware that the statement was false or misleading and failed within a reasonable time to take steps to have the record of limited partners corrected or, where the limited partner signed the certificate or declaration or later became aware of its falsehood and did not amend the certificate or declaration within a reasonable time; and (iv) if the limited partnership fails to comply with the formal requirements of applicable limited partnership legislation. As well, a limited partner holds as trustee for the limited partnership specific property stated in the certificate or record of limited partnership as contributed by such limited partner, but which has not in fact been contributed or which has been wrongfully returned and money or other property wrongfully paid or conveyed to him or her on account of his or her contribution. Where a limited partner has rightfully received the return, in whole or in part, of the capital of his or her contribution, the limited partner is nevertheless liable to the limited partnership for any sum, not in excess of that returned with interest, necessary to discharge the limited partnership's liabilities to all creditors who extended credit or whose claims arose before such return.

For certain regulatory purposes, the Fund may be considered to be carrying on business in certain jurisdictions by virtue of this offering being made therein and the trading activities of the Fund. The Fund has registered as an extra-jurisdictional limited partnership in those jurisdictions where the Fund is advised that it will be carrying on business by virtue of this offering or otherwise and where there is provision for registration as an extra-jurisdictional limited partnership. However, there is a risk that Limited Partners may not be afforded limited liability in such jurisdictions to the extent that principles of conflicts of law recognizing the limitation of liability of limited partners have not been authoritatively established with respect to limited partnerships formed under the laws of one

jurisdiction but carrying on business, owning property or incurring obligations in another jurisdiction. The General Partner is responsible for maintaining the registration of the Fund as an extra-jurisdictional limited partnership in any such jurisdiction.

Pursuant to the Limited Partnership Agreement, the General Partner has agreed to indemnify and hold harmless each of the Limited Partners of the Fund (including former Limited Partners) from and against all costs, damages, liabilities or losses incurred resulting from not having limited liability, other than the loss of limited liability caused by any act or omission of the Limited Partner. The General Partner has further agreed to indemnify the Fund for any costs, damages, liabilities or losses incurred by the Fund as a result of an act of negligence or misconduct by the General Partner pursuant to the Limited Partnership Agreement. The foregoing indemnity will not extend to liabilities arising from a Limited Partner being called upon to return any distributions paid to them (with interest), whether properly paid or paid in error. However, the General Partner has only nominal assets and it is unlikely that the General Partner will have sufficient assets to satisfy any claims pursuant to such indemnity.

## CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations with respect to the acquisition, ownership and disposition of Units to an investor who, for the purposes of the *Income Tax Act* (Canada) (the "**Tax Act**"), is resident in Canada, deals at arm's length and is not affiliated with the Fund, is the initial investor in the Units, has not made a functional currency reporting election under the Tax Act, does not have a "significant interest" as defined in subsection 34.2(1) of the Tax Act in the Fund, will hold Units as capital property and has invested for his or her own benefit and not as a trustee of a trust. The determination of whether the Units are capital property to a holder will depend, in part, on the holder's particular circumstances and this summary does not apply to an investor that has, in respect of the Units, entered into a "derivative forward agreement" as that term is defined in the Tax Act. Generally, Units will be considered to be capital property to a holder if acquired by him or her for investment purposes and not acquired or held in the course of carrying on a business of trading or dealing in securities or as part of an adventure in the nature of trade.

This summary is based on the current provisions of the Tax Act, the regulations thereunder and the current published administrative practices and assessing policies of the Canada Revenue Agency (the "**CRA**") and also takes into account all specific proposals to amend the Tax Act and the regulations thereunder publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Proposals**"). Except for the foregoing, this summary does not take into account or anticipate any changes in law, whether by legislative, regulatory, administrative or judicial action. Furthermore, this summary does not take into account provincial or foreign income tax legislation or considerations. There can be no assurance that any Proposals will be enacted in the form proposed, if at all.

This summary is based on the assumption that the Fund is not a "tax shelter" as that term is defined in the Tax Act and an investment in the Fund is not a tax shelter investment for the purposes of the Tax Act. This summary further assumes that at all times, all members of the Fund are resident in Canada for the purpose of the Tax Act and that they will comply in all respects with the restrictions on investors pursuant to the Limited Partnership Agreement. This summary assumes that not more than 50% of the Units are held by financial institutions.

The income and other tax consequences of acquiring, holding or disposing of Units vary according to the status of the investor, the province or territory in which the investor resides or carries on business and, generally, the investor's own particular circumstances. The following description of

income tax matters is, therefore, of a general nature only and is not intended to constitute advice to any particular investor. The income tax consequences described in this summary are based on the assumptions that an investor does not undertake or arrange any transaction relating to his or her Units, other than those referred to in this Offering Memorandum, and that none of the transactions relating to the investor's Units and referred to in this Offering Memorandum is undertaken or arranged primarily to obtain a tax benefit other than those specifically described herein. **Each investor should seek independent advice regarding the tax consequences of investing in Units, based upon the investor's own particular circumstances.**

**Computation of Income or Loss**

The Fund is not itself a taxable entity. However, the Fund is required to compute its income (or loss) in accordance with the provisions of the Tax Act as if it were a separate person resident in Canada. The fiscal year of the Fund ends on December 31 in each calendar year.

In computing the income or loss of the Fund, deductions will be claimed in respect of all expenses of the Fund in accordance with and to the extent permitted under the Tax Act. The CRA has taken the position that gains and losses from short sales are generally on income account. However, the CRA has also taken the position that a short sale on shares that are identical to shares held by a taxpayer to hedge a taxpayer's position may be on capital account. Accordingly, although the Fund may intend to treat certain of its gains and losses from transacting in equities and equity derivative securities as being on capital account, it is possible that the CRA may take a different view, in which case gains and losses from transacting in such positions would give rise to ordinary income and losses. One-half of a capital gain (a "taxable capital gain") is included in computing income in the year and one-half of a capital loss (an "allowable capital loss") is deductible only against taxable capital gains.

Each Limited Partner will generally be required to include, in computing his or her income or loss for tax purposes for a taxation year, his or her share of the income or loss (including taxable capital gains and allowable capital losses) allocated to such Limited Partner for each fiscal year of the Fund for such year, whether or not he or she has received or will receive a distribution from the Fund. Income and loss of the Fund for tax purposes will be allocated to Limited Partners in accordance with the provisions of the Limited Partnership Agreement as described under "Distributions and Computation and Allocation of Net Profits or Losses". **As discussed under the heading "Distributions and Computation and Allocation of Net Profits or Losses", the Fund is not required to make distributions to Limited Partners in any year, even when income will be allocated to Limited Partners for purposes of the Tax Act. As a result, Limited Partners may be required to pay tax on such income allocation even though the Limited Partner has not received a cash distribution.** This may also be the case where an allocation of income is made to a Limited Partner who transferred Units before the end of the year. The Fund will furnish to each Limited Partner such information as is required by the CRA to assist in declaring the Limited Partner's share of the Fund's income or loss. However, the responsibility for filing any required tax returns and reporting his or her share of the income or loss of the Fund falls solely upon each Limited Partner.

In general, every member of a partnership must, in accordance with the regulations, file an information return in prescribed form which contains specified information for each taxation year of the partnership. The General Partner has agreed to file the necessary information return, which will be deemed to have been made by each member of the Fund.

In general, a Limited Partner's share of any income or loss of the Fund from any source or from sources in a particular place will be treated as if it were income or loss of the Limited Partner

from that source or from sources in that particular place and any provisions of the Tax Act applicable to that type of income or loss will apply to the Limited Partner.

Subject to the "at-risk rules" discussed below, a Limited Partner's share of the losses, if any, of the Fund for any fiscal year may be applied against his or her income from any other source to reduce net income for the relevant taxation year and, to the extent it exceeds other income for that year, carried back three years and forward twenty years against taxable income of such other years. A Limited Partner's share of the allowable capital losses of the Fund may be applied only against taxable capital gains (discussed below) and may be carried back three years or forward indefinitely, subject to the rules in the Tax Act.

The Tax Act provides that, notwithstanding the income or loss allocation provisions of the Limited Partnership Agreement, any losses of the Fund from a business or property allocated to a Limited Partner will be deductible by such Limited Partner in computing his or her income for a taxation year only to the extent that his or her share of the loss does not exceed his or her "at-risk amount" in respect of the Fund at the end of the year. In general terms, the "at-risk amount" of a Limited Partner in respect of the Fund at a particular time is (i) the adjusted cost base of his or her Units at that time plus (ii) if the particular time is at the end of the fiscal period of the Fund, his or her share of the income of the Fund for the fiscal year, less the aggregate of (iii) all amounts owing by the Limited Partner to the Fund or to a person with whom the Fund does not deal at arm's length and (iv) subject to certain exceptions, any amount or benefit to which the Limited Partner is entitled to receive where the amount or benefit is intended to protect the Limited Partner from any loss he or she may sustain by virtue of being a member of the Fund or holding or disposing of Units.

A Limited Partner's share of any Fund loss that is not deductible by the Limited Partner in the year because of the "at-risk rules" is considered to be the Limited Partner's "limited partnership loss" in respect of the Fund for that year. Such "limited partnership loss" may be deducted by the Limited Partner in any subsequent taxation year against any income for that year to the extent that the Limited Partner's "at-risk amount" at the end of the Fund's fiscal year ending in that year exceeds the Limited Partner's share of any loss of the Fund for that fiscal year.

**Disposition and Redemption of Units**

Upon the redemption or other actual or deemed disposition of a Unit by a Limited Partner, a capital gain (or a capital loss) will generally be realized to the extent that the proceeds of disposition of the Unit net of any costs of disposition exceed (or are less than) the adjusted cost base to the Limited Partner of the Unit. The portion of capital gains included in computing income ("taxable capital gains") and the portion of capital losses ("allowable capital losses") deductible from taxable capital gains is one-half. The unused portion of an allowable capital loss may be carried back three years or forward indefinitely and may only be used against taxable capital gains, subject to detailed rules in the Tax Act. A "Canadian-controlled private corporation" (as defined in the Tax Act) may be subject to an additional refundable tax in respect of certain investment income including taxable capital gains.

In general, the adjusted cost base of a Unit to a Limited Partner is the subscription price of the Unit plus the Limited Partner's share of any income of the Fund (including the full amount of any capital gains) for any previously completed fiscal periods, less the Limited Partner's share of the losses of the Fund (including the full amount of any capital losses) for any fiscal period ending before that time (except where any portion of such losses were included in his or her "limited partnership loss" in respect of the Fund as such losses will reduce the adjusted cost base of his or her Units only to the extent they have been previously deducted) and any distributions made to the Limited Partner by the Fund. The adjusted cost base of each Unit will be the average of the adjusted cost base of all identical Units held by a Limited Partner. If the adjusted cost base of a Limited Partner's Units becomes a

negative amount such negative amount as at the end of a fiscal year of the Fund will be deemed to be a capital gain realized by the Limited Partner and the adjusted cost base will subsequently be nil.

A redemption of Units will be treated as a disposition for purposes of the Tax Act. As described under "Distributions and Computation and Allocation of Net Profits or Losses", where Units are withdrawn by a Limited Partner during the course of the year or are acquired during the course of the year, the General Partner will adopt an allocation policy intended to allocate income and loss in such manner as to account for Units which are purchased or withdrawn throughout such fiscal year. To such end, any person who was a Limited Partner at any time during the fiscal year but who has withdrawn or transferred some or all of the Units before the last day of such fiscal year may have income or losses of the Fund for such year allocated to him or her. A Limited Partner who is considering disposing of Units during a fiscal period of the Fund should obtain specific tax advice.

**Foreign Account Tax Compliance ("FATCA")**

Pursuant to the *Intergovernmental Agreement for the Enhanced Exchange of Tax Information under the Canada-U.S. Tax Convention* entered into between Canada and the U.S. (the "**IGA**"), and related Canadian legislation, the Fund and the Manager are required to report certain information with respect to Limited Partners who are U.S. residents and U.S. citizens (including U.S. citizens who are residents or citizens of Canada), and certain other "U.S. Persons" as defined under the IGA (excluding registered plans), to the CRA. The CRA will then exchange the information with the U.S. Internal Revenue Service pursuant to the provisions of the Canada-U.S. Income Tax Treaty. If the Fund is unable to comply with any of its obligations under the IGA, the imposition of a 30% U.S. withholding tax on certain specified payments (i.e. "withholdable payments" as defined under the *Foreign Account Tax Compliance Act* ("**FATCA**") made to the Fund, as well as penalties under the Tax Act, may affect the net asset value of the Fund and may result in reduced investment returns to Limited Partners. The administrative costs of compliance with FATCA may also cause an increase in the operating expenses of the Fund further reducing the returns to Limited Partners. Limited Partners should consult their own tax advisers regarding the possible implications of this legislation on them and their investments.

To avoid this withholding tax, the Fund must collect certain information from Limited Partners to determine whether the Limited Partner is a U.S. person or in certain cases whether a non-U.S. entity Limited Partner has any U.S. owners, and certain information is provided to the IRS with respect to these investors. Limited Partners will be required to furnish appropriate documentation certifying as to their U.S. or non-U.S. tax status, together with such additional tax information as the Fund may from time to time request. Failure to provide such information may subject a Limited Partner to withholding taxes or mandatory redemption of its entire interest in the Fund.

Note that U.S. persons and other non-residents may not invest in the Fund. Limited Partners who fail to provide the required information or who become a non-resident or a U.S. person are subject to compulsory redemption of their Units. Additionally, the Fund may (i) require the Limited Partner(s) whose failure to provide information results in the FATCA withholding tax to indemnify the Fund for the tax and associated costs, (ii) treat the FATCA withholding as an amount deemed distributed to such Limited Partner(s) and/or (iii) seek other available remedies (including through the compulsory redemption of Units held by such Limited Partner(s)). Limited Partners are encouraged to consult with their own tax advisors regarding the possible applicability of the FATCA legislation on their investment in the Fund.

**Common Reporting Standard ("CRS")**

On December 15, 2016, Part XIX of the Tax Act was enacted, which came into force on July 1, 2017, and which implements the Common Reporting Standard developed by the Organisation for

Economic Co-operation and Development. Pursuant to Part XIX of the Tax Act, "Canadian financial institutions" that are not "non-reporting financial institutions" (as both terms are defined in Part XIX of the Tax Act) are required to have procedures in place to identify accounts held by residents of foreign countries (other than the U.S.) or by certain entities the "controlling persons" of which are resident in a foreign country, and to report required information to the CRA. Such information is expected to be exchanged on a reciprocal, bilateral, basis with the tax authorities of the foreign country in which the account holders or such controlling persons are resident, pursuant to the Multilateral Convention on Mutual Administrative Assistance in Tax Matters or the relevant bilateral tax treaty. Pursuant to Part XIX of the Tax Act, Limited Partners are required to provide certain information regarding their investment in the Fund for the purpose of such information exchange, unless the investment is held within certain registered plans. The Fund, in conjunction with assistance from its service providers where necessary, will endeavour to ensure that it satisfies any obligations imposed on it under the Tax Act in respect of CRS.

The Fund's ability to satisfy its obligations under Parts XVIII and XIX of the Tax Act depends on each Limited Partner providing the Fund with any information, including information concerning the direct or indirect owners of such Limited Partner, that the Fund determines is necessary to satisfy such obligations. In its subscription agreement, each Limited Partner will, amongst other things, agree to provide such information and documentation upon request from the Fund. If a Limited Partner provides information and documentation that is misleading, or it fails to provide the Fund (or its agents) with the requested information and documentation necessary in either case to satisfy the Fund's obligations under the Tax Act, then the Fund reserves the right to (i) take any action and/or pursue all remedies at its disposal, including, without limitation, compulsory redemption or withdrawal of the Limited Partner's Units; and (ii) hold back from any distributions, redemption proceeds, or deduct from the net asset value in respect of the Limited Partner's Units, any liabilities, costs, expenses, penalties or taxes caused (directly or indirectly) by the Limited Partner's action or inaction. Limited Partners are encouraged to consult with their own tax advisors regarding the possible applicability of CRS on their investment in the Fund.

## ELIGIBILITY FOR INVESTMENT

The Units **do not** constitute qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, tax-free savings accounts, registered education savings plans, deferred profit sharing plans or registered disability savings plans for the purposes of the Tax Act.

## RISK FACTORS

Investment in Units involves certain risk factors, including risks associated with the Fund's investment strategies. The following risks should be carefully evaluated by prospective investors.

**THE VENATOR SELECT FUND SHOULD BE CONSIDERED A SPECULATIVE HIGH RISK INVESTMENT BY POTENTIAL INVESTORS. THE FUND IS EXPECTED TO BE VERY CONCENTRATED IN FEW, AND POSSIBLY OCCASSIONALLY ONLY A SINGLE, INVESTMENT(S). THE FUND IS EXPECTED TO EXHIBIT A HIGH DEGREE OF VOLATILY AND MAY BE SUBJECT TO LARGE DRAWDOWNS FROM TIME TO TIME. UNDER CERTAIN CIRCUMSTANCES IT IS POSSIBLE THAT THE FUND COULD LOSE 100% OF ITS VALUE. THE RISK FACTORS OUTLINED BELOW SHOULD BE CAREFULLY EVALUATED BY POTENTIAL INVESTORS, BUT SHOULD NOT BE CONSIDERED AN EXHAUSTIVE LIST OF ALL RISKS ASSOCIATED WITH AN INVESTMENT IN THE FUND.**

**Risks Associated with an Investment in the Fund**

*Dependence of Manager on Key Personnel*

The Manager depends, to a great extent, on the services of Brandon Osten in the administration of the Fund's trading activities. The loss of his services for any reason could impair the ability of the Manager to perform its investment management activities on behalf of the Fund.

*Reliance on Manager*

The Fund relies on the ability of the Manager and its principals to actively manage the assets of the Fund. The Manager will make the actual trading decisions upon which the success of the Fund will depend significantly. No assurance can be given that the trading approaches utilized by the Manager will prove successful. There can be no assurance that satisfactory replacements for the Manager will be available, if needed. Termination of the Management Agreement will not terminate the Fund but will expose investors to the risks involved in whatever new investment management arrangements the General Partner is able to negotiate. In addition, the liquidation, if any, of positions held for the Fund as a result of the termination of the Management Agreement may cause substantial losses to the Fund.

*Distribution and Allocations*

The Fund is not required to distribute its profits. If the Fund has taxable income for Canadian federal income tax purposes for a fiscal year, such income will be allocated to the Limited Partners in accordance with the provisions of the Limited Partnership Agreement as described under "Distributions and Computation and Allocation of Net Profits or Losses" and will be required to be included in computing their income for tax purposes, irrespective of the fact that cash may not have been distributed to Limited Partners. Since Units may be acquired or redeemed on a monthly basis and allocations of income and losses of the Fund to Limited Partners will only be made on an annual basis, such allocations to a particular Limited Partner may not correspond to the economic gains and losses which such Limited Partner may experience.

*Possible Loss of Limited Liability*

The Fund may, by virtue of this offering, or otherwise, be carrying on business in jurisdictions other Ontario, its jurisdiction of formation. The Fund is registered as an extra-jurisdictional limited partnership in those jurisdictions where the Fund has been advised that it will be carrying on business by virtue of this offering or otherwise and where there is provision for registration as an extra jurisdictional limited partnership. However, there is a risk that Limited Partners may not be afforded limited liability in such jurisdictions to the extent that principles of conflicts of law recognizing the limitation of liability of Limited Partners have not been authoritatively established with respect to limited partnerships formed under laws of one jurisdiction but carrying on business in another jurisdiction. See "Liability of Limited Partners and Registration of Partnership".

*Repayment of Certain Distributions*

Other than with respect to the possible loss of the limited liability as outlined above, no Limited Partner shall be obligated to pay any additional assessment on the Units held or subscribed for. However, if the available assets of the Fund are insufficient to discharge obligations to creditors incurred by the Fund, the Fund may have a claim against a Limited Partner for the repayment of any distributions or returns of contributions received by such Limited Partner (including upon redemption of Units), to the extent that such obligations arose before the distributions or returns of

contributions sought to be recovered by the Fund. In the Limited Partnership Agreement, each Limited Partner agrees to repay to the Fund any such amount for which such Limited Partner could be liable pursuant to applicable limited partnership legislation upon the request of the General Partner. A Limited Partner who transfers his or her Units remains liable to make such repayments, irrespective of whether his or her transferee becomes a substituted Limited Partner. See "Liability of Limited Partners and Registration of Partnership"

*Limited Partners not Entitled to Participate in Management*

Limited Partners are not entitled to participate in the management or control of the Fund or its operations. Limited Partners do not have any input into the Fund's trading. The success or failure of the Fund will ultimately depend on the investment of the assets of the Fund by the Manager, with which the Limited Partners will not have any direct dealings.

*Financial Resources of the General Partner*

While the General Partner has unlimited liability for the obligations of the Partnership and has agreed to indemnify the Limited Partners in certain circumstances, the General Partner typically has nominal assets and it is unlikely that the General Partner will have sufficient assets to satisfy any claims pursuant to such indemnity.

*Limited Ability to Liquidate Investment*

There is no market for the Units and one is not expected to develop. Accordingly, it is possible that Limited Partners may not be able to resell their Units other than by way of redemption of their Units at any Valuation Date, subject to the limitations described under "Redemption of Units". The Fund may suspend redemption rights in certain circumstances, including redemptions in excess of 10% of the Net Asset Value of the Fund. Limited Partners may not be able to liquidate their investment in a timely manner and the Units may not be readily accepted as collateral for a loan. This offering of Units is not qualified by way of prospectus, and consequently the resale of Units is subject to restrictions under applicable securities legislation. Accordingly, an investment in Units should only be considered by investors who do not require liquidity.

*The SIFT Rules*

If investments in the Fund become listed or traded on a stock exchange or other public market, the Fund could become subject to the rules in the Tax Act relating to "specified investment flow-through" partnerships (the "SIFT Rules"). If the SIFT Rules were to apply to the Fund, the tax consequences to the Fund and Limited Partners would be materially, and in some respects adversely, different.

*Possible Effect of Redemptions*

Substantial redemptions of Units could require the Fund to liquidate positions more rapidly than otherwise desirable to raise the necessary cash to fund redemptions and achieve a market position appropriately reflecting a smaller asset base. Such factors could adversely affect the value of the Units redeemed and of the Units remaining outstanding.

*Tax Liability*

Each Limited Partner is taxable in respect of the income of the Fund allocated to it. Income will be allocated to Limited Partners according to the terms of the Limited Partnership Agreement and

without regard to the acquisition price of such Units. Limited Partners may have an income tax liability in respect of profits not distributed.

The income or loss of the Fund will be computed as if the Fund were a separate person resident in Canada. The CRA has stated that it will permit certain taxpayers to report their gains and losses from commodities-related transactions as capital gains and losses (rather than as ordinary income or losses from a business), but has also stated that it will not extend such treatment to a partnership whose prime activity is trading in commodities or commodities futures where the facts support the proposition that the partnership is carrying on a business of trading such items. The CRA may extend its administrative practices with respect to commodity trading activities to the activities undertaken by the Fund. Accordingly, although the Fund may decide to treat certain of its gains and losses from trading in equities and equity derivative securities as being on capital account, it is possible that the CRA may take a different view, in which case gains and losses from trading in such positions would give rise to ordinary income and losses from a business.

*Charges to the Fund*

The Fund is obligated to pay Management Fees, brokerage commissions and legal, accounting, filing and other expenses regardless of whether the Fund realizes profits. In addition, the Fund will allocate profits to the General Partner in respect of a fiscal year, as described in "Distributions and Computation and Allocation of Net Profits or Losses" and "Fees and Expenses".

*Potential Indemnification Obligations*

Under certain circumstances, the Fund might be subject to significant indemnification obligations in respect of the General Partner, the Manager or certain parties related to them. The Fund will not carry any insurance to cover such potential obligations and none of the foregoing parties will be insured for losses for which the Fund has agreed to indemnify them. Any indemnification paid by the Fund would reduce the Net Asset Value and, by extension, the value of the Units.

*Not a Public Mutual Fund*

The Fund is not subject to the restrictions placed on public mutual funds to ensure diversification and liquidity of the Fund's portfolio.

*Changes in Investment Strategy*

The Manager may alter its strategy without prior approval by the Limited Partners if the General Partner and the Manager determine that such change is in the best interest of the Fund. There is no guarantee that such a change in investment strategy will be profitable or will not cause losses for a Limited Partner.

*Valuation of the Fund's Investments*

While the Fund is independently audited by its auditors on an annual basis in order to ensure as fair and accurate a pricing as possible, valuation of the Fund's securities and other investments may involve uncertainties and subjective determinations and, if such valuations should prove to be incorrect, the Net Asset Value could be adversely affected. Independent pricing information may not at times be available regarding certain of the Fund's securities and other investments. Valuation determinations will be made in good faith in accordance with the Limited Partnership Agreement.

The Fund may have some of its assets in investments which by their very nature may be extremely difficult to value accurately. To the extent that the value assigned by the Fund to any such investment differs from the actual value, the Net Asset Value per Unit may be understated or overstated, as the case may be. In light of the foregoing, there is a risk that a Limited Partner who redeems all or part of its Units while the Fund holds such investments will be paid an amount less than such Limited Partner would otherwise be paid if the actual value of such investments is higher than the value designated by the Fund. Similarly, there is a risk that such Limited Partner might, in effect, be overpaid if the actual value of such investments is lower than the value designated by the auditors of the Fund. In addition, there is risk that an investment in the Fund by a new Limited Partner (or an additional investment by an existing Limited Partner) could dilute the value of such investments for the other Limited Partners if the designated value of such investments is higher than the value designated by the auditors of Fund. Further, there is risk that a new Limited Partner (or an existing Limited Partner that makes an additional investment) could pay more than it might otherwise if the actual value of such investments is lower than the value designated by the auditors of the Fund. The Fund does not intend to adjust the Net Asset Value retroactively.

*Lack of Independent Experts Representing Limited Partners*

Each of the Fund, the General Partner and the Manager have consulted with a single legal counsel regarding the formation and terms of the Fund and the offering of Units. The Limited Partners have not, however, been independently represented. Therefore, to the extent that the Fund, the Limited Partners or this offering could benefit by further independent review, such benefit will not be available. Each prospective investor should consult his or her own legal, tax and financial advisors regarding the desirability of purchasing Units and the suitability of investing in the Fund.

*No Involvement of Unaffiliated Selling Agent*

The General Partner and Manager are under common control and ownership. Consequently, no outside selling agent unaffiliated with such parties has made any review or investigation of the terms of this offering, the structure of the Fund or the background of the General Partner and Manager.

**Risks Associated with the Fund's Underlying Investments**

*General Economic and Market Conditions*

The success of the Fund's activities may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of the Fund's investments. Unexpected volatility or illiquidity could impair the Fund's profitability or result in losses.

*Concentration Risk*

Pursuant to its investment objective, the Fund's investments will be concentrated in a limited number of issuers, and accordingly, will not be as diversified as some other funds. The Manager may take more concentrated positions than a typical fund or concentrate investment holdings in specialized industries or market sectors. As a result, the Fund's performance may involve greater risk and may be more volatile than a more broadly diversified portfolio and may fluctuate substantially over short periods of time in response to economic conditions and regulatory changes that specifically affect the particular sector(s), market(s), or issuer(s) in which the Fund invests. This concentration and

possible volatility may have a negative effect on the value of the Units and adversely affect the overall performance of the entire Fund.

*Liquidity of Underlying Investments*

Some of the securities in which the Fund intends to invest may be thinly traded. There are no restrictions on the investment of Fund assets in illiquid securities. The Fund's investments in certain small or non-listed issuers may be difficult to value accurately or to sell and may trade at a price significantly lower than their value. In general, the less liquid an investment, the more its value tends to fluctuate. As a result, the Fund may not be able to convert its investments to cash at a fair market price when it needs to or it may bear substantial additional costs in doing so. If the Fund is required to transact in such securities before its intended investment horizon, the performance of the Fund could suffer.

*Debt Securities*

Generally, debt securities will decrease in value when interest rates rise and increase in value when interest rates decline. To the extent that the Fund holds investments in debt securities, the Net Asset Value of the Fund will fluctuate with interest rate changes. The value of debt securities is also affected by the risk of default in the payment of interest and principal and price changes due to such factors as general economic conditions and the issuer's creditworthiness. Corporate debt securities may not pay interest or their issuers may default on their obligations to pay interest and/or principal amounts. Certain of the debt securities that may be included in the Fund's portfolio from time to time may be unsecured, which will increase the risk of loss in case of default or insolvency of the issuer.

*Fixed Income Securities*

The Fund, to the extent that it holds fixed income portfolio investments, will be influenced by financial market conditions and the general level of interest rates in Canada. In particular, if fixed income investments are not held to maturity, the Fund may suffer a loss at the time of sale of such securities.

*Equity Securities*

To the extent that the Fund holds equity portfolio investments, it will be influenced by stock market conditions in those jurisdictions where the securities held by the Fund are listed for trading and by changes in the circumstances of the issuers whose securities are held by the Fund. Additionally, to the extent that the Fund holds any foreign investments, it will be influenced by world political and economic factors and by the value of the Canadian dollar as measured against foreign currencies which will be used in valuing the foreign investment positions held by the Fund.

*Commodity Prices*

To the extent that the Fund holds commodities or issuers that are in the commodity sector, it will be influenced by commodity prices. Commodity prices have fluctuated widely during recent years and may be adversely affected by a number of factors which are not within the control of the Fund, including supply and demand factors; production levels and production costs in key commodity producing countries; governmental regulation; weather, political and economic conditions in commodity producing and consuming countries; and the actions of investment and hedge funds in the commodities market, among other things.

*Currency Risk*

Investment in securities denominated in a currency other than Canadian dollars will be affected by the changes in the value of Canadian dollar in relations to the value of the currency in which the security is denominated. Thus, the value of securities within the Fund may be worth more or less depending on their sensitivity to foreign exchange rates.

*Foreign Investment Risk*

To the extent that the Fund invests in securities of foreign issuers, it will be affected by world economic factors and in many cases by the value of the Canadian dollar as measured against foreign currencies. Obtaining complete information about potential investments from foreign markets may also be of greater difficulty. Foreign issuers may not follow certain standards that are applicable in North America, such as accounting, auditing, financial reporting and other disclosure requirements. Political climate may differ, affecting stability and volatility in foreign markets. As a result, the Fund's value may fluctuate to a greater degree by investing in foreign equities, than if the Fund limited its investments to Canadian securities.

*Options*

Selling call and put options is a highly specialized activity and entails greater than ordinary investment risk. The risk of loss when purchasing an option is limited to the amount of the purchase price of the option, however investment in an option may be subject to greater fluctuation than an investment in the underlying security. In the case of the sale of an uncovered option there can be potential for an unlimited loss. To some extent this risk may be hedged by the purchase or sale of the underlying security.

*Trading Costs*

The Fund may engage in a high rate of trading activity resulting in correspondingly higher trading costs (including brokerage) being borne by the Fund.

*Use of a Prime Broker to Hold Assets*

Some or all of the Fund's assets may be held in one or more margin accounts due to the fact that Fund will use leverage and engage in short selling. The margin accounts may provide less segregation of customer assets than would be the case with a more conventional custody arrangement. The prime broker may also lend, pledge or hypothecate the Fund's assets in such accounts, which may result in a potential loss of such assets. As a result, the Fund's assets could be frozen and inaccessible for withdrawal or subsequent trading for an extended period of time if the prime broker experiences financial difficulty. In such case, the Fund may experience losses due to insufficient assets at the prime broker to satisfy the claims of its creditors, and adverse market movements while its positions cannot be traded.

***Risks of Special Techniques***

The special investment techniques that the Manager may use are subject to risks including those summarized below.

*Short Sales*

The possible losses to the Fund from a short sale of security differ from losses that could be incurred from a long position in the security. Losses from a short sale may be unlimited. A loss from a long position is limited to the total amount of the investment. Short positions require the borrowing of stock from another party. A recall of borrowed stock could cause the Fund to close out a short position at a disadvantageous price.

*Leverage*

The Fund may use financial leverage by borrowing funds against the assets of the Fund. The use of leverage increases the risk to the Fund and subjects the Fund to higher current expenses. Also, if the Fund's portfolio value drops to the loan value or less, Limited Partners could sustain a total loss of their investment.

*Liquidity*

Some of the securities in which the Fund intends to invest are traded only in negotiated transactions with investment dealers or brokers. It is possible that the Fund may not be able to sell significant portions of its positions without facing substantially adverse prices. If the Fund is required to sell securities before its intended investment horizon, for example as a result of redemptions, the performance of the Fund could suffer. The Fund will be affected by those securities that are difficult to sell because they may be issued by small companies with limited outstanding shares or they may be unknown to investors and are not traded regularly. Difficulty in selling securities may result in a loss or a costly delay.

*Hedging*

Although a hedge is intended to reduce risk, it does not eliminate risk entirely. A hedging strategy may not be effective. A hedge can result in a loss in the case of an extraordinary event. There are several such possible cases including, but not limited to: (i) a cease trade order being issued in respect of the underlying security; (ii) the inability to maintain a short position, due to the repurchase or redemption of shares by the issuing company; (iii) disappearance of any conversion premium due to premature redemptions, changes in conversion terms or changes in an issuer's dividend policy; (iv) credit quality considerations, such as bond defaults; and (v) lack of liquidity during market panics.

*Illiquidity*

There can be no assurance that the Fund will be able to dispose of its investments in order to honour requests to redeem Units.

*Suspension of Trading*

Securities exchanges typically have the right to suspend or limit trading in any instrument traded on the exchange. A suspension would render it impossible to liquidate positions and could thereby expose the Fund to losses.

**The foregoing risk factors do not purport to be a complete explanation of all risks involved in purchasing Units. Potential investors should read this entire Offering Memorandum and consult with their legal and other professional advisors before determining to invest in Units.**

## CONFLICTS OF INTEREST

The Manager currently serves as the investment fund manager, trustee and/or portfolio advisor of Venator Founders Fund, Venator Investment Trust, Venator Offshore Fund Inc., Venator Income Fund, Venator Partners US Fund LP and Venator Partners Master Fund LP and may in the future manage the trading for other trusts, limited partnerships or other investment funds or accounts in addition to the Fund. In the event that the Manager elects to undertake such activities and other business activities in the future, the Manager and its principals may be subject to conflicting demands in respect of allocating management time, services and other functions. The Manager and its principals and affiliates will endeavour to treat each investment pool and managed account fairly and not to favour one account or pool over another.

In executing its duties on behalf of the Fund, the Manager may be subject to the provisions of the Management Agreement, which provide that the Manager will execute its duties in good faith and with a view to the best interests of the Fund and its Limited Partners.

**The securities laws of the Province of Ontario require securities dealers and advisors, when they trade in or advise with respect to their own securities or securities of certain other issuers to which they, or certain other parties related to them, are related or connected, to do so only in accordance with particular disclosure and other rules. These rules require dealers and advisors, prior to trading with or advising their customers or clients, to inform them of the relevant relationships and connections with the issuer of the securities. Clients and customers should refer to the applicable provisions of these securities laws for the particulars of these rules and their rights or consult with a legal advisor.**

**The Manager, in its capacity as an exempt market dealer, is also offering Units on a private placement basis. The Manager and the General Partner are controlled by the same individual and, as a result, the Fund may be considered to be a connected issuer and related issuer of the Manager. The General Partner made the decision to create the Fund and distribute its Units and determined the terms of the Offering and accordingly may be considered to be a "promoter" of the Fund. Except for the Management Fee and the Performance Bonus payable to the Manager, none of the proceeds of the Offering will be applied, directly or indirectly for the benefit of the Manager.**

## MATERIAL CONTRACTS

The only material contracts of the Fund are as follows:

(a) the Limited Partnership Agreement referred to under "Limited Partnership Agreement"; and

(b) the Management Agreement between the General Partner and the Manager referred to under "Management of the Fund – The Manager".

Copies of such contracts may be inspected following their execution by Limited Partners at the principal office of the General Partner during normal business hours.

## CURRENCY

Unless otherwise specified, all references herein to "$" or dollars are references to Canadian dollars.

## PRIVACY POLICY

In connection with the offering and sale of Units, personal information (such as address, telephone number, social insurance number, birth date, assets and/or income information,

employment history and credit history, if applicable) about Limited Partners is collected and maintained by the General Partner and the Manager. Such personal information is collected to enable the General Partner, the Manager and any third-party service providers to provide Limited Partners with services in connection with their investment in the Fund, to meet legal and regulatory requirements and for any other purpose to which Limited Partners may consent in the future. Purchasers are encouraged to review the privacy policy of the Fund at the principal office of the Manager during normal business hours.

## PROCEEDS OF CRIME (MONEY LAUNDERING) LEGISLATION

In order to comply with Canadian legislation aimed at the prevention of money laundering, the Fund may require additional information concerning a Limited Partner.

If, as a result of any information or other matter which comes to the General Partner or Manager's attention, any director, officer or employee of the General Partner or Manager, or their professional advisors, knows or suspects that an investor is engaged in money laundering, such person is required to report such information or other matter to the Financial Transactions and Reports Analysis Centre of Canada and such report shall not be treated as a breach of any restriction upon the disclosure of information imposed by law or otherwise.

## INVESTORS' RIGHTS OF ACTION

### Rights of Action for Damages or Rescission

Securities legislation in certain of the Canadian provinces provides purchasers of securities pursuant to an offering memorandum (such as this Offering Memorandum) with a remedy for damages or rescission, or both, in addition to any other rights they may have at law, where the offering memorandum and any amendment to it contains a "Misrepresentation". Where used herein, "**Misrepresentation**" means an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement not misleading in light of the circumstances in which it was made. These remedies, or notice with respect to these remedies, must be exercised or delivered, as the case may be, by the purchaser within the time limits prescribed by applicable securities legislation.

The information set forth below is not intended to be a comprehensive summary of the rights of each Purchaser and may be subject to change and is qualified in its entirety by the provisions of the applicable provincial securities legislation. Each Purchaser should refer to their legal advisor for more details.

### Rescission of Purchase

Pursuant to Ontario securities legislation, where the amount of a purchase does not exceed the sum of $50,000, purchasers of mutual funds may rescind their purchase within 48 hours after receipt of the sale confirmation. Purchasers of mutual funds under a regular investment plan may have longer to cancel an order. Purchasers must exercise these rights within the prescribed time limits. Purchasers should refer to applicable provisions of the securities legislation or consult with their legal advisor for more details.

### New Brunswick

Section 150 of the *Securities Act* (New Brunswick) provides that where an offering memorandum contains a Misrepresentation, a purchaser who purchases securities shall be deemed to have relied on the Misrepresentation if it was a Misrepresentation at the time of purchase and

(a) the purchaser has a right of action for damages against the issuer and any selling security holder(s) on whose behalf the distribution is made, or

(b) where the purchaser purchased the securities from a person referred to in paragraph (a), the purchaser may elect to exercise a right of rescission against the person, in which case the purchaser shall have no right of action for damages against the person.

This statutory right of action is available to New Brunswick purchasers whether or not such purchaser relied on the Misrepresentation. However, there are various defences available to the issuer and the selling security holder(s). In particular, no person will be liable for a Misrepresentation if such person proves that the purchaser purchased the securities with knowledge of the Misrepresentation when the purchaser purchased the securities. Moreover, in an action for damages, the amount recoverable will not exceed the price at which the securities were offered under the offering memorandum and any defendant will not be liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the Misrepresentation.

If the purchaser intends to rely on the rights described in (a) or (b) above, such purchaser must do so within strict time limitations. The purchaser must commence an action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action. The purchaser must commence its action for damages within the earlier of:

(a) one year after the purchaser first had knowledge of the facts giving rise to the cause of action; or

(b) six years after the date of the transaction that gave rise to the cause of action.

**Nova Scotia**

The right of action for damages or rescission described herein is conferred by section 138 of the *Securities Act* (Nova Scotia). Section 138 of the *Securities Act* (Nova Scotia) provides, in relevant part, that in the event that an offering memorandum, together with any amendment thereto, or any advertising or sales literature (as defined in the *Securities Act* (Nova Scotia)) contains a Misrepresentation, the purchaser will be deemed to have relied upon such Misrepresentation if it was a Misrepresentation at the time of purchase and has, subject to certain limitations and defences, a statutory right of action for damages against the issuer and, subject to certain additional defences, every director of the issuer at the date of the offering memorandum and every person who signed the offering memorandum or, alternatively, while still the owner of the securities purchased by the purchaser, may elect instead to exercise a statutory right of rescission against the issuer, in which case the purchaser shall have no right of action for damages against the issuer, directors of the issuer or persons who have signed the offering memorandum, provided that, among other limitations:

(a) no action shall be commenced to enforce the right of action for rescission or damages by a purchaser resident in Nova Scotia later than 120 days after the date on which the initial payment was made for the securities;

(b) no person will be liable if it proves that the purchaser purchased the securities with knowledge of the Misrepresentation;

(c) in the case of an action for damages, no person will be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the securities as a result of the Misrepresentation relied upon; and

(d) in no case will the amount recoverable in any action exceed the price at which the securities were offered to the purchaser.

In addition, a person or company, other than the issuer, will not be liable if that person or company proves that:

(a) the offering memorandum or amendment to the offering memorandum was sent or delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable general notice that it was delivered without the person's or company's knowledge or consent;

(b) after delivery of the offering memorandum or amendment to the offering memorandum and before the purchase of the securities by the purchaser, on becoming aware of any Misrepresentation in the offering memorandum or amendment to the offering memorandum the person or company withdrew the person's or company's consent to the offering memorandum or amendment to the offering memorandum, and gave reasonable general notice of the withdrawal and the reason for it; or

(c) with respect to any part of the offering memorandum or amendment to the offering memorandum purporting (i) to be made on the authority of an expert, or (ii) to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that (A) there had been a Misrepresentation, or (B) the relevant part of the offering memorandum or amendment to offering memorandum did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

Furthermore, no person or company, other than the issuer, will be liable with respect to any part of the offering memorandum or amendment to the offering memorandum not purporting (a) to be made on the authority of an expert or (b) to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company (i) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no Misrepresentation or (ii) believed that there had been a Misrepresentation.

If a Misrepresentation is contained in a record incorporated by reference into, or deemed incorporated by reference into, the offering memorandum or amendment to the offering memorandum, the Misrepresentation is deemed to be contained in the offering memorandum or an amendment to the offering memorandum.

**Ontario**

Section 130.1 of the *Securities Act* (Ontario) provides that every purchaser of securities pursuant to an offering memorandum shall have a statutory right of action for damages or rescission against the issuer and any selling security holder in the event that the offering memorandum contains a Misrepresentation. A purchaser who purchases securities offered by the offering memorandum during the period of distribution has, without regard to whether the purchaser relied upon the Misrepresentation, a right of action for damages or, alternatively, while still the owner of the securities, for rescission against the issuer and any selling security holder provided that:

(a) if the purchaser exercises its right of rescission, it shall cease to have a right of action for damages as against the issuer and the selling security holders, if any;

(b) the issuer and the selling security holders, if any, will not be liable if they prove that the purchaser purchased the securities with knowledge of the Misrepresentation;

(c) the issuer and the selling security holders, if any, will not be liable for all or any portion of damages that it proves do not represent the depreciation in value of the securities as a result of the Misrepresentation relied upon; and

(d) in no case shall the amount recoverable exceed the price at which the securities were offered.

Section 138 of the *Securities Act* (Ontario) provides that no action shall be commenced to enforce these rights more than:

(a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or

(b) in the case of an action for damages, the earlier of:

(i) 180 days after the date that the purchaser first had knowledge of the facts giving rise to the cause of action; or

(ii) three years after the date of the transaction that gave rise to the cause of action.

This Canadian Offering Memorandum is being delivered in reliance on the exemption from the prospectus requirements contained under section 2.3 of NI 45-106 (the "**accredited investor exemption**"). The rights referred to in section 130.1 of the *Securities Act* (Ontario) do not apply in respect of an offering memorandum (such as this Canadian Offering Memorandum) delivered to a prospective purchaser in connection with a distribution made in reliance on the accredited investor exemption if the prospective purchaser is:

(a) a Canadian financial institution or a Schedule III bank (each as defined in NI 45-106);

(b) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada); or

(c) a subsidiary of any person referred to in paragraphs (a) and (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.

**Saskatchewan**

Section 138 of *The Securities Act, 1988* (Saskatchewan), as amended (the "**Saskatchewan Act**") provides that where an offering memorandum or any amendment to it is sent or delivered to a purchaser and it contains a Misrepresentation (as defined in the Saskatchewan Act), a purchaser who purchases a security covered by the offering memorandum or any amendment to it is deemed to have relied upon that Misrepresentation, if it was a Misrepresentation at the time of purchase, and has a right of action for rescission against the issuer or a selling security holder on whose behalf the distribution is made or has a right of action for damages against:

(a) the issuer or a selling security holder on whose behalf the distribution is made;

(b) every promoter and director of the issuer or the selling security holder, as the case may be, at the time the offering memorandum or any amendment to it was sent or delivered;

(c) every person or company whose consent has been filed respecting the offering, but only with respect to reports, opinions or statements that have been made by them;

(d) every person who or company that, in addition to the persons or companies mentioned in (a) to (c) above, signed the offering memorandum or the amendment to the offering memorandum; and

(e) every person who or company that sells securities on behalf of the issuer or selling security holder under the offering memorandum or amendment to the offering memorandum.

Such rights of rescission and damages are subject to certain limitations including the following:

(a) if the purchaser elects to exercise its right of rescission against the issuer or selling security holder, it shall have no right of action for damages against that party;

(b) in an action for damages, a defendant will not be liable for all or any portion of the damages that he, she or it proves do not represent the depreciation in value of the securities resulting from the Misrepresentation relied on;

(c) no person or company, other than the issuer or a selling security holder, will be liable for any part of the offering memorandum or any amendment to it not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company failed to conduct a reasonable investigation sufficient to provide reasonable grounds for a belief that there had been no Misrepresentation or believed that there had been a Misrepresentation;

(d) in no case shall the amount recoverable exceed the price at which the securities were offered; and

(e) no person or company is liable in an action for rescission or damages if that person or company proves that the purchaser purchased the securities with knowledge of the Misrepresentation.

In addition, no person or company, other than the issuer or selling security holder, will be liable if the person or company proves that:

(a) the offering memorandum or any amendment to it was sent or delivered without the person's or company's knowledge or consent and that, on becoming aware of it being sent or delivered, that person or company gave reasonable general notice that it was so sent or delivered; or

(b) with respect to any part of the offering memorandum or any amendment to it purporting to be made on the authority of an expert, or purporting to be a copy of, or

an extract from, a report, an opinion or a statement of an expert, that person or company had no reasonable grounds to believe and did not believe that there had been a Misrepresentation, the part of the offering memorandum or any amendment to it did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

Not all defences upon which we or others may rely are described herein. Please refer to the full text of the Saskatchewan Act for a complete listing.

Similar rights of action for damages and rescission are provided in section 138.1 of the Saskatchewan Act in respect of a Misrepresentation in advertising and sales literature disseminated in connection with an offering of securities.

Section 138.2 of the Saskatchewan Act also provides that where an individual makes a verbal statement to a prospective purchaser that contains a Misrepresentation relating to the security purchased and the verbal statement is made either before or contemporaneously with the purchase of the security, the purchaser is deemed to have relied on the Misrepresentation, if it was a Misrepresentation at the time of purchase, and has a right of action for damages against the individual who made the verbal statement.

Section 141(1) of the Saskatchewan Act provides a purchaser with the right to void the purchase agreement and to recover all money and other consideration paid by the purchaser for the securities if the securities are sold in contravention of the Saskatchewan Act, the regulations to the Saskatchewan Act or a decision of the Saskatchewan Financial Services Commission.

Section 141(2) of the Saskatchewan Act also provides a right of action for rescission or damages to a purchaser of securities to whom an offering memorandum or any amendment to it was not sent or delivered prior to or at the same time as the purchaser enters into an agreement to purchase the securities, as required by Section 80.1 of the Saskatchewan Act.

The rights of action for damages or rescission under the Saskatchewan Act are in addition to and do not derogate from any other right which a purchaser may have at law.

Section 147 of the Saskatchewan Act provides that no action shall be commenced to enforce any of the foregoing rights more than:

(a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or

(b) in the case of any other action, other than an action for rescission, the earlier of:

(i) one year after the plaintiff first had knowledge of the facts giving rise to the cause of action; or

(ii) six years after the date of the transaction that gave rise to the cause of action.

The Saskatchewan Act also provides a purchaser who has received an amended offering memorandum delivered in accordance with subsection 80.1(3) of the Saskatchewan Act has a right to withdraw from the agreement to purchase the securities by delivering a notice to the person who or company that is selling the securities, indicating the purchaser's intention not to be bound by the purchase agreement, provided such notice is delivered by the purchaser within two business days of receiving the amended offering memorandum.

**Manitoba, Newfoundland and Labrador, PEI, Yukon Territory, Nunavut and Northwest Territories**

In Manitoba, *The Securities Act* (Manitoba), in Newfoundland and Labrador, the *Securities Act* (Newfoundland and Labrador), in Prince Edward Island, the *Securities Act* (PEI), in Yukon, the *Securities Act* (Yukon), in Nunavut, the *Securities Act* (Nunavut) and in the Northwest Territories, the *Securities Act* (Northwest Territories) provides a statutory right of action for damages or rescission to purchasers resident in Manitoba, Newfoundland, PEI, Yukon, Nunavut and Northwest Territories respectively, in circumstances where this Offering Memorandum or an amendment hereto contains a misrepresentation, which rights are similar, but not identical, to the rights available to Ontario purchasers.

**Alberta, British Columbia and Québec**

Notwithstanding that the *Securities Act* (British Columbia), the *Securities Act* (Alberta) and the *Securities Act* (Québec) do not provide, or require the Fund to provide, to purchasers resident in these jurisdictions any rights of action in circumstances where this Offering Memorandum or an amendment hereto contains a Misrepresentation, the Fund hereby grants to such purchasers contractual rights of action that are equivalent to the statutory rights of action set forth above with respect to purchasers resident in Ontario.

**A PERSON CONSIDERING AN INVESTMENT IN THE FUND SHOULD CONSULT THEIR OWN ADVISORS IN ORDER TO FULLY UNDERSTAND THE CONSEQUENCES OF AN INVESTMENT IN THE FUND WITH RESPECT TO SUCH PERSON'S PARTICULAR SITUATION.**

**General**

The foregoing summary is subject to the express provisions of the securities legislation referred to above and the rules, regulations and other instruments thereunder, and reference is made to the complete text of such provisions. Such provisions may contain limitations and statutory defences on which the Fund and the Unitholders, if any, may rely. The rights of action for damages or rescission discussed above are in addition to, and without derogation from, any other right or remedy which purchasers may have at law.

## CANADIAN LEGAL COUNSEL

Stikeman Elliott LLP (Toronto) ("**Stikeman**") has been retained as Canadian legal counsel to the Fund and the Manager in connection with the offering of Units. In connection with the Fund's offering of Units and subsequent advice to the Fund and the Manager, Stikeman will not be representing the Limited Partners. No independent legal counsel has been retained by the Manager or the Fund to represent the Limited Partners. Stikeman's representation of the Fund and the Manager is limited to specific matters as to which it has been consulted by the Fund and/or the Manager. There may exist other matters that could have a bearing on the Fund and/or the Manager as to which Stikeman has not been consulted. In addition, Stikeman does not undertake to monitor compliance by the Manager and its affiliates with the investment program, valuation procedures and other guidelines set forth herein, nor does Stikeman monitor ongoing compliance with applicable laws. In connection with the preparation of this Offering Memorandum, Stikeman's responsibility is limited to matters of Ontario law and it does not accept responsibility in relation to any other matters referred to or disclosed in this Offering Memorandum. In the course of advising the Fund and the Manager, there are times when the interests of the Limited Partners may differ from those of the Fund and the Manager. Stikeman does not represent the Limited Partners' interests in resolving these issues. In reviewing this Offering Memorandum, Stikeman has relied upon information furnished to it by the Fund and the Manager and has not investigated or verified the accuracy and completeness of information set forth herein concerning the Fund or the Manager.

## LANGUAGE OF DOCUMENTS

(Québec Only)

By accepting this Offering Memorandum, the investor acknowledges that it is its express wish that all documents evidencing or relating in any way to the sale of Units be drawn up in the English language only. Par son acceptation de ce document, l'acheteur reconnaît par les présentes qu'il est de sa volonté expresse que tous les documents faisant foi ou se rapportant de quelque manière à la vente des parts soient rédigés en anglais seulement.