

*This amended and restated 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 amended and restated 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 amended and restated 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.***

No. _____ **AMENDED AND RESTATED CONFIDENTIAL OFFERING MEMORANDUM**



Continuous Offering

November 27, 2017

VENATOR INCOME FUND

CLASS A UNITS, CLASS C UNITS AND CLASS F UNITS

SUBSCRIPTION PRICE: NET ASSET VALUE PER UNIT

Venator Income Fund (the “**Fund**”) is a trust established under the laws of the Province of Ontario. The Fund is offering an unlimited number of retractable, redeemable trust units of three classes: Class A Units, Class C Units and Class F Units (collectively, the “**Units**”), each issuable in series, on a continuous basis pursuant to this amended and restated 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 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. Venator Capital Management Ltd. (the “**Manager**”) is the manager and trustee 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 investment objective of the Fund is to provide long-term capital growth through fundamental securities selection. To achieve its investment objective, the Fund will invest in a portfolio of securities that generally have annual yields in excess of 4%. The Fund may take both long and short investment positions in equity, debt and derivative securities. The Fund will primarily invest long in high yielding securities including stocks, derivatives and bonds that the Manager believes are likely to maintain or increase their income distributions without significant risk to capital. The Manager may engage in short selling strategies in order to hedge the capital risk of the Fund’s portfolio while preserving yield. The allocation of long and short positions will vary depending on the extent to which the Manager believes that capital at risk in long positions needs to be hedged. See “Investment Objective” and “Investment Strategies”.

The Manager intends to concentrate its long positions in the following areas: (i) debt securities of companies with sustainable free cash flow or adequate asset coverage where capital repayment appears likely, whose current annual yield exceeds 4% and yields to maturity exceed 7%, (ii) equity securities of businesses with consistent financial results, sustainable free cash flow and annual yields exceeding 2%, (iii) convertible

securities (A) with current annual yields exceeding 4% and where conversion to equity appears likely, or (B) where yields to maturity exceed 7% if conversion to equity appears unlikely, and (iv) preferred shares with annual yields exceeding 4%.

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

Subscriptions received before 4:00 p.m. (Toronto time) on the last Business Day of any month (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 involves risks. 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 and to carefully review the amended and restated declaration of trust dated December 8, 2014.

This Offering Memorandum was originally issued on July 30, 2008 and was amended and restated on September 25, 2009, February 23, 2012, November 27, 2012, February 21, 2013, December 8, 2014 and May 25, 2015.

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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 in the Declaration of Trust. Capitalized terms used but not defined in this summary are defined elsewhere in this Offering Memorandum.

THE FUND

The Fund: Venator Income Fund (the “**Fund**”) is a trust created under the laws of the Province of Ontario pursuant to a declaration of trust dated July 30, 2008, as amended and restated as at February 21, 2013 (the “**Declaration of Trust**”). The Trust commenced active operations on August 1, 2008.

Investment Objective: The investment objective of the Fund is to provide long-term capital growth through fundamental securities selection. See “Investment Objective”.

Investment Strategies: To achieve its investment objective, the Fund will invest in a portfolio of securities that generally have annual yields in excess of 4%. The Fund may take both long and short investment positions in equity, debt and derivative securities. The Fund will primarily invest long in high yielding securities including stocks, derivatives and bonds that the Manager believes are likely to maintain or increase their income distributions without significant risk to capital. The Manager may engage in short selling strategies in order to hedge the capital risk of the Fund’s portfolio while preserving yield. The allocation of long and short positions will vary depending on the extent to which the Manager believes that capital at risk in long positions needs to be hedged.

The Manager intends to concentrate its long positions in the following areas: (i) debt securities of companies with sustainable free cash flow or adequate asset coverage where capital repayment appears likely, whose current annual yield exceeds 4% and yields to maturity exceed 7%, (ii) equity securities of businesses with consistent financial results, sustainable free cash flow and annual yields exceeding 4%, (iii) convertible securities (A) with current annual yields exceeding 2% and where conversion to equity appears likely, or (B) where yields to maturity exceed 7% if conversion to equity appears unlikely, and (iv) preferred shares with annual yields exceeding 4%. See “Investment Strategies”.

The Manager and Trustee: Venator Capital Management Ltd. (the “**Manager**”), a corporation incorporated under the laws of the Province of Ontario, is the manager and trustee 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 pursuant to the Declaration of Trust. The Manager currently serves as the investment fund manager, trustee and/or investment advisor of Venator Founders Fund, Venator Investment Trust, Venator Offshore Fund Inc., Venator Select Fund, Venator Partners Fund, Venator Partners US Fund LP and Venator Partners Master Fund LP. See “Management of the Fund”.

SUMMARY OF INVESTMENT TERMS

The Offering: The Fund is offering an unlimited number of retractable, redeemable units of three classes: Class A Units, Class C Units and Class F Units (collectively, the “Units”), each issuable in series.

The Units: An investment in the Fund is represented by Units, each of which represents an equal undivided beneficial interest in the net assets of the Fund. Units are available to investors as follows:

<u>Class</u>	<u>Investor Eligibility</u>
Class A Units	Investors represented by a registered financial advisor that requests payment of a service fee from the Fund
Class C Units	Investors that purchase Units directly from the Fund and investors represented by a registered financial advisor that requests payment of a service fee from the Fund
Class F Units	Investors that held Class F Units of the Fund on December 31, 2014 or that have or arrange to have fee-based accounts with a registered financial advisor. Investors may not purchase Class F Units directly from the Fund.

See “Fees and Expenses”.

The Units of each class have equal rights and privileges. Unitholders are not entitled to vote except for the purposes set out in the Declaration of Trust. In such circumstances, each whole Unit is entitled to one vote at meetings of Unitholders. Each whole Unit is entitled to participate equally with respect to any and all distributions made by the Fund, including distributions of net income and net realized capital gains, and distributions upon the termination of the Fund. Units are issued only as fully paid and are non-assessable. See “Description of 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. See “Purchase of Units” and “Valuation of Assets and Computation of Net Asset Value”.

Minimum Initial Subscription: The minimum subscription is \$50,000, or such lesser subscription amount as the Manager may accept. Investors who have invested in Units may subsequently subscribe for additional amounts of at least \$5,000 or such lesser amount as the Manager may accept. See “Purchase of Units”.

Purchases: Units may be purchased as at the close of business on the last Business Day of each month, or on any other day as the Manager, in its discretion, determines (each a “Valuation Date”), provided a duly completed 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. “**Business Day**” means any day on which the Toronto Stock Exchange is open for business. See “Purchase of Units”.

Redemptions: An investment in Units is intended to be a long-term investment. Unitholders may request that such Units be redeemed at their Net Asset Value (determined in accordance with the Declaration of Trust) 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. (Capital gains which may arise upon the sale of securities in connection with redemptions of Units will be allocated to the redeeming Unitholder.)

The Fund may suspend redemption rights in certain circumstances, including redemptions in excess of 10% of the Net Asset Value. The Manager also reserves the right to hold back up to 20% of the aggregate redemption proceeds if liquidity issues arise. The Manager may require a Unitholder to surrender their Units for redemption in certain circumstances. See “Redemption Of Units”.

Transfer or Resale: Units may only be transferred with the consent of the Manager and transfers will generally not be permitted. The transfer or resale of Units (which does not include a redemption of Units) is also subject to restrictions under applicable securities legislation. See “Resale Restrictions”.

Distributions: The Fund intends to make distributions to Unitholders of record on the last Business Day of March, June, September and December commencing in March, 2013. Distributions will be made on or before the 15th Business Day in the month following the end of the period for which the distribution is payable. The Fund will not have a fixed quarterly distribution amount but intends to at least annually set periodic distribution targets based on the Manager’s estimate of distributable cash flow in the Fund for the period. Based on the Manager’s current estimates, the quarterly distribution target of the Fund is 1.00% per quarter (4% per annum) commencing in 2015.

Unless a Unitholder elects in writing to receive such distributions in cash, all such distributions of the Fund will be automatically reinvested, without charge, in additional Units at the Net Asset Value per Unit.

In addition, it is the Fund’s policy to distribute annually to Unitholders sufficient income and capital gains (net of applicable losses) so that it effectively will not pay any Canadian federal income tax under Part I of the Tax Act. The Fund will distribute its annual taxable income and net realized capital gains to Unitholders by the last Business Day of each year and at such other times as determined by the Manager. All such distributions of the Fund will be automatically reinvested, without charge, in additional Units at

the Net Asset Value per Unit See “Distributions to Unitholders”.

Year End: December 31.

Financial Reporting: The audited annual and unaudited semi-annual financial statements of the Fund will be prepared and sent to Unitholders 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. See “Reports to Unitholders”.

Tax Considerations: A Unitholder will generally be required to include, in computing the Unitholder’s income for the year, the amount of the net income, and the taxable portion of the net realized capital gains of the Fund, that is paid or payable to the Unitholder in the year whether in cash or in Units. Distributions by the Fund to a Unitholder in excess of the Unitholder’s share of the Fund’s net income and net realized capital gains will not result in an inclusion in the Unitholder’s income but will reduce the adjusted cost base of the Unitholder’s Units. To the extent that the adjusted cost base of a Unit held as capital property would otherwise be less than zero, the Unitholder will be deemed to have realized a capital gain equal to the negative amount. A Unitholder who disposes of Units held as capital property (on redemption or otherwise) will realize a capital gain (or loss) to the extent that the proceeds of disposition exceed (or are less than) the adjusted cost base of Units and any reasonable costs of disposition. See “Canadian Federal Income Tax Considerations”. **Each investor should satisfy himself or herself as to the federal and provincial tax consequences of an investment in Units by obtaining advice from his or her tax advisor.**

Eligibility for Investment: Provided the Fund continues to qualify as a “mutual fund trust” as defined in the Tax Act, Units will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts.

Liability of Unitholders: The Unitholders of the Fund do not receive the protection of statutorily mandated limited liability as in the case of shareholders of most Canadian corporations. However, the Declaration of Trust will limit the liability of Unitholders. See “Risk Factors”.

Risk Factors: 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”.

Termination: The Manager, may, in its discretion, terminate the Fund without the approval of Unitholders if, in the opinion of the Manager, the Net Asset Value is reduced as the result of redemptions or otherwise so that it is no longer economically feasible to continue the Fund and it would be in the

best interests of the Unitholders to terminate the Fund. After paying outstanding liabilities, the Fund will distribute its remaining assets *pro rata* to Unitholders. See "Management of the Fund".

FEES AND EXPENSES

The following is a description of the fees and expenses that the Fund will have to pay. See "Fees and Expenses".

General:

The Fund is responsible for (including through reimbursement of the Manager) the expenses of organizing the Fund, and the offering of Units in the Fund. The Manager may, in its sole discretion, choose to pay these expenses.

The Fund will bear transaction fees and costs in connection with its investments and trading, including brokerage commissions (including options and futures trades), spreads, mark-ups on securities, swaps and forwards, commodity trading-related expenses, short dividends, currency and other hedging costs, interest expenses in respect of margin accounts, repurchase agreements and other indebtedness and other similar costs and expenses.

The Fund is responsible for its own operating expenses. Operating expenses include, among others, the Management Fee and fees payable to the administrator, organizational and set-up expenses, all expenses in connection with the ongoing offering of the Units, including the cost of producing, updating and distributing offering memoranda, the Fund's legal, accounting, administrative expenses, auditing, tax preparation and other professional expenses, directors and officers insurance, transaction expenses, filing fees and expenses, custodial fees, registrar and transfer agency fees and expenses, bookkeeping and recordkeeping costs, bank services fees, investor servicing costs, the costs of printing and distributing periodic and annual reports and statements, regulatory and compliance expenses directly related to the Fund (including the Fund's reasonable share of the Manager's reporting obligations directly related to the Fund), expenses paid to third-party vendors associated with the Fund's internal accounting, interest on any indebtedness and other borrowing charges, the costs of brokerage services, fees and expenses relating to the Fund's portfolio investments, including the cost of securities, interest on borrowings and commitment fees and related expenses payable to lenders and counterparties, brokerage fees, commissions and expenses, research expenses (including the cost of travel), and banking fees.

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

Management Fee: The Trustee has engaged the Manager to provide management services and investment advice to the Fund. The Fund will pay the Manager a monthly management fee equal to: (i) 1/12 of 2% of the Net Asset Value of the Class A Units (ii) 1/12 of 1.5% on the Net Asset Value of the Class C Units and (iii) 1/12 of 1% of the Net Asset Value of the Class F Units, each determined in accordance with the Declaration of Trust, plus HST (as applicable), calculated and payable at the beginning of each month based on the Net Asset Value of each class of Units as at the end of the immediately preceding month (the “**Management Fee**”). The Manager has the discretion to enter into agreements with one or more Unitholders which will have the effect of reducing the Management Fee for such Unitholders.

Service Fee and Commissions: Service fees are payable to participating registered dealers as follows:

<u>Class</u>	<u>Service Fee</u>
Class A Units	1.00% per annum
Class C Units	0.50% per annum
Class F Units	Nil

The Manager will pay, with respect to the Class A Units, and out of its Management Fee, a quarterly service fee to participating registered dealers whose clients hold Class A Units. The service fee will accrue daily and be paid at the end of each calendar quarter to a maximum of 1% per annum of the Net Asset Value of the Class A Units held by clients of the applicable dealer.

The Manager will pay, with respect to the Class C Units, and out of its Management Fee, a quarterly service fee to participating registered dealers whose clients hold Class C Units. The service fee will accrue daily and be paid at the end of each calendar quarter to a maximum of 0.5% per annum of the Net Asset Value of the Class C Units held by clients of the applicable dealer. No service fee is payable in respect of the Class F Units.

Participating dealers may, at their discretion, charge a commission of up to 1% of the Net Asset Value of the Units purchased by their clients. Any such fee will be negotiated between the dealer and the investor and will be payable by the investor. No commission is payable on any Units purchased directly from the Manager.

Performance Fee: If the Fund generates a net profit (after payment of all other fees and expenses), the Manager will receive a performance fee (the “**Performance Fee**”) on each Unit outstanding on the last Business Day of each year (and on each Unit redeemed prior to the end of a fiscal year) based on the amount by which the Net Asset Value per Unit on such date plus the aggregate amount of all distributions declared on such Unit exceeds an annualized current year return of 5% over the previous High Water Mark for such Unit (the “**Threshold Rate**”). The “**High Water Mark**” for each Unit as at any date means the greater of (i) the purchase price of such Unit or (ii) the highest Net Asset Value per Unit of the Fund recorded on the last

Business Day of any previous fiscal year, in either case as adjusted for any distributions declared on the Unit from the date of such Net Asset Value to the end of any such previous fiscal year (the “**Adjusted NAV**”). The Threshold Rate ensures that the Fund meets or exceeds a given level of return while the High Water Mark ensures that any decline in the Net Asset Value of the Unit must subsequently increase to the highest level achieved for such Unit (net of any Performance Fees previously paid) before any Performance Fee is payable.

In any period in which the Performance Fee is payable and the Adjusted NAV per Unit exceeds the High Water Mark, Unitholders will be entitled to, with respect to each Unit, (i) all of the increase in the Adjusted NAV per Unit up to the Threshold Rate and (ii) 90% of any increase in Adjusted NAV per Unit in excess of the Threshold Rate plus 0.5%. The Manager will be entitled to (i) all of the increase in Adjusted NAV per Unit between the Threshold Rate and the Threshold Rate plus 0.5%, and (ii) 10% of any gains in excess of the Threshold Rate plus 0.5%. For example, for all Units on an annualized basis, the return will be allocated such that any return above the High Water Mark from (i) 0.001% to 5% will be accrued to the Unitholders’ benefit; (ii) 5.001% to 5.5% the return will be accrued to the benefit of the Manager in the form of the Performance Fee; and (iii) above 5.5% will be accrued 90% to the benefit of the Unitholder and 10% to the Manager as a Performance Fee. The Manager may amend the Threshold Rate from time to time without Unitholder approval. See “Fees and Expenses” and “Amendments to the Declaration of Trust”.

PROFESSIONAL ADVISORS

Legal Counsel:	Stikeman Elliott LLP Toronto, Ontario
Auditors:	KPMG LLP Toronto, Ontario
Custodians and Prime Brokers:	Scotia Capital Inc. Toronto, Ontario CIBC World Markets Inc. Toronto, Ontario
Administrator:	SGGG Fund Services Inc. Toronto, Ontario

VENATOR INCOME FUND

Venator Income Fund (the “**Fund**”) is a trust created under the laws of the Province of Ontario pursuant to a declaration of trust dated July 30, 2008 as amended and restated as at February 21, 2013 (the “**Declaration of Trust**”). The Trust commenced active operations on August 1, 2008. Venator Capital Management Ltd. (the “**Manager**”), a corporation incorporated under the laws of the Province of Ontario, is the manager and trustee 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 principal place of business of the Fund and the Manager is located at 2 Bloor Street West, Suite 901, Toronto, Ontario M4W 3E2. The fiscal year of the Fund ends on December 31 in each calendar year.

The beneficial interests in the Fund are divided into an unlimited number of retractable, redeemable trust units of three classes: Class A Units, Class C Units and Class F Units (collectively, the “**Units**”), each issuable in series. The only differences among the Class A Units, Class C Units and the Class F Units is the Management Fee and the service fee payable in respect of the Units of each class as described under “Fees and Expenses”. Accordingly, the Net Asset Value (as defined herein) per Unit of each class will not be the same as a result of the different fee allowable to each class of Units.

Units are available to investors as follows:

<u>Class</u>	<u>Investor Eligibility</u>
Class A Units	Investors represented by a registered financial advisor that requests payment of a service fee from the Fund
Class C Units	Investors that purchase Units directly from the Fund and investors represented by a registered financial advisor that requests payment of a service fee from the Fund
Class F Units	Investors that held Class F Units of the Fund on December 31, 2014 or that have or arrange to have fee-based accounts with a registered financial advisor. Investors may not purchase Class F Units directly from the Fund.

See “Fees and Expenses”.

Each issued and outstanding Unit is equal to each other Unit of the same class with respect to all matters. If the Manager becomes aware that a holder of Units (each, a “**Unitholder**”) no longer qualifies to hold Class F Units, the Manager may convert those Class F Units into Class A or C Units on at least 10 days prior notice.

Except as set out above, the Units of each class have equal rights and privileges, 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 Unitholders of each series 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”.

INVESTMENT OBJECTIVE, STRATEGY AND RESTRICTIONS

Investment Objective

The investment objective of the Fund is to provide long-term capital growth through fundamental securities selection.

Investment Strategy

To achieve its investment objective, the Fund will invest in a portfolio of securities that generally have annual yields in excess of 4%. The Fund may take both long and short investment positions in equity, debt and derivative securities. The Fund will primarily invest long in high yielding securities including stocks, and bonds that the Manager believes are likely to maintain or increase their income distributions without significant risk to capital. The Manager may engage in short selling strategies in order to hedge the capital risk of the Fund's portfolio while preserving yield. The allocation of long and short positions will vary depending on the extent to which the Manager believes that capital at risk in long positions needs to be hedged.

The focus of the Fund's investments will be on established North American publicly traded 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 publicly traded companies, this will not preclude investments in other markets if suitable opportunities arise and subject in all cases to the Investment Guidelines and Restrictions.

The Manager intends to concentrate its long positions in the following areas: (i) debt securities of companies with sustainable free cash flow or adequate asset coverage where capital repayment appears likely, whose current annual yield exceeds 4% and yields to maturity exceed 7%, (ii) equity securities of businesses with consistent financial results, sustainable free cash flow and annual yields exceeding 4%, (iii) convertible securities (A) with current annual yields exceeding 2% and where conversion to equity appears likely, or (B) where yields to maturity exceed 7% if conversion to equity appears unlikely, and (iv) preferred shares with annual yields exceeding 4%.

Short selling and hedging strategies will be focused on capital preservation with regards to hedging any cyclical, commodity or other company specific risk inherent in the Fund's long positions. Generally, the Fund will not short high yielding securities to hedge risk. Finally, it is anticipated that the Fund will borrow foreign funds to hedge its "net long" exposure to foreign investments, thereby ensuring successful fundamental gains result in positive performance to the Fund and are not negatively impacted by foreign currency fluctuations.

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 (each, a "**Securities Lending Agreement**"). Under a Securities Lending Agreement: (i) the borrower will pay to the Fund a negotiated securities lending fee and will make compensation payments to the Fund equal to any distributions received by the borrower on the securities borrowed and (ii) the Fund will receive collateral security prescribed by the Securities Lending Agreement.

Investment Restrictions

Investments made by the Fund will be subject to the investment guidelines and restrictions (“**Investment Guidelines and Restrictions**”) set out in the Declaration of Trust which include those described in paragraphs 1 to 7 below. The Investment Guidelines and Restrictions may be changed by the agreement of the Trustee and the Manager without notice to Unitholders provided that such change is in accordance with the investment objective of the Fund. All amounts and percentage limitations apply at the date the relevant investment is made 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 Guidelines and Restrictions of the Fund provide, among other things, as follows:

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, at any time, exceed 200% of the Net Asset Value, and the Fund’s long positions will not exceed 200% of the Net Asset Value.
2. *Cash* – The Fund may hold cash and cash equivalents as part of the Fund’s portfolio.
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. *Concentration – Long Positions* – The Fund may not purchase more than 20% of its Net Asset Value in any single long position (as measured at market) with the exception of cash (and equivalent instruments) and index-tracking securities/exchange traded funds.
5. *Concentration – Short Positions* – The Fund may not sell more than 15% of its Net Asset Value in any single short position (as measured at market) with the exception of cash (and equivalent instruments) and index-tracking securities/exchange traded funds.
6. *Concentration – Individual Issuers* – Security holdings in any one issuer will be limited to a maximum of 20% of such securities then outstanding.
7. *Sole Undertaking* – The Fund will not engage in any undertaking other than the investment of the Fund’s assets in accordance with its investment objective and investment strategies.

MANAGEMENT OF THE FUND

The Manager of the Fund

Venator Capital Management Ltd. is the Manager of the Fund and will perform the management functions, including the day-to-day management of the Fund. Pursuant to the Declaration of Trust, the Manager has exclusive authority to manage and direct the affairs of the Fund including entering into transactions on behalf of the Fund and appointing the investment advisor of the Fund. The Manager may also delegate certain of its powers to third parties where, in the discretion of the Manager, it would be in the best interests of the Fund to do so.

Duties and Services to be Provided by the Manager

Pursuant to the Declaration of Trust, the Manager is responsible for execution of the Fund's investment strategy and will also provide and arrange for the provision of required administrative services to the Fund including, without limitation: authorizing the payment of operating expenses incurred on behalf of the Fund; preparing or causing to be prepared financial statements, financial and accounting information as required by the Fund; ensuring that the Unitholders are provided with financial statements (including semi-annual and annual financial statements) and other reports as are required by applicable law from time to time; ensuring that the Fund complies with regulatory requirements; preparing or causing to be prepared the reports of the Fund to Unitholders and the Canadian securities regulatory authorities; providing each of the custodian and prime broker with information and reports necessary for it to fulfil its responsibilities; determining the amount of distributions to be made by the Fund; obtaining the services of dealers in exchange for payment by the Fund of the Service Fee; and negotiating contractual agreements with third-party providers of services, including but not limited to, custodians, valuation agents, registrars, distribution agents, auditors and printers.

The Manager 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, skill and diligence of a prudent and qualified person in similar circumstances. The Declaration of Trust provides that the Manager will not be liable in any way for any default, failure or defect in any of the securities held by the Fund if it has satisfied the duties and the standard of care, skill and diligence set forth above. The Manager will incur liability, however, in cases of wilful misconduct, bad faith, negligence, disregard of the Manager's standard of care or by any material breach or default by it of its obligations under the Declaration of Trust.

Unless the Manager resigns or is removed as described below, the Manager will continue as manager until the termination of the Fund. The Manager may resign upon 60 days written notice to the Trustee. The Manager is deemed to have resigned if the Manager becomes bankrupt or insolvent, or in the event the Manager ceases to be resident in Canada for the purposes of the Tax Act (as defined herein). The Manager may be removed if it is in material breach of its obligations under the Declaration of Trust, and such default has not been cured within 20 Business Days after notice of such breach or default has been given by the Fund to the Unitholders, who may remove the Manager.

In the event that the Manager resigns or is removed as provided above, the resigning or removed Manager shall promptly appoint a successor manager to carry out the activities of the Manager until a meeting of the Unitholders is held to confirm such appointment by a majority of the votes cast. The removal or resignation of the Manager shall only become effective upon the appointment of a replacement manager.

The Manager and each of its directors, officers, and employees will be indemnified by the Fund for all liabilities and expenses reasonably incurred in connection with any action, suit or proceeding that is proposed or commenced or other claim that is made against the Manager or any of its officers, directors or employees in the exercise of its duties as Manager, except those resulting from such person's wilful misconduct, bad faith, negligence, disregard of such person's standard of care or material breach or default of duty to the Fund in relation to the matter in respect of which indemnification is claimed.

The Trustee

The Manager will also act as trustee of the Fund pursuant to the provisions of the Declaration of Trust (in its capacity as trustee of the Fund, the “**Trustee**”). The Trustee is responsible for certain aspects of the day-to-day management of the Fund as described in the Declaration of Trust.

The Trustee 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 that a reasonably prudent trustee would exercise in comparable circumstances. The Declaration of Trust provides that the Trustee will not be liable in any way for the acts, omissions, receipts, neglects or defaults of any person, firm or corporations employed by the Trustee pursuant to the Declaration of Trust if it has satisfied the duties and standard of care, diligence and skill set forth above. The Trustee will also not be liable for any loss, damage or expense caused to the Fund through the insufficiency or deficiency of any security in which the Fund may have invested, or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person, firm or corporation who may have held the property of the Fund, or for any other loss of damage to the Fund. The Trustee will incur liability, however, in cases of wilful misconduct, bad faith, negligence, disregard of the Trustee’s standard of care or by any material breach or default by it of its obligations under the Declaration of Trust.

Unless the Trustee resigns or is removed as described below, the Trustee will continue as trustee until the termination of the Fund. The Trustee may resign upon 60 days’ notice to Unitholders, or if the Fund is in breach or default of the provisions of the Declaration of Trust and, if capable of being cured, any such breach or default has not been cured within 20 Business Days’ notice of such breach or default to the Fund. The Trustee is deemed to have resigned if the Trustee becomes bankrupt or insolvent, or if the Trustee ceases to be qualified to act as a trustee, or in the event the Trustee ceases to be resident in Canada for the purposes of the Tax Act. The Trustee may not be removed except where the Trustee is in material breach or default of the provisions of the Declaration of Trust for at least 20 day Business Days after notice of which is given by Unitholders holding at least 30% of the outstanding Units, approval of the removal of the Trustee by an Extraordinary Resolution (as defined in the Declaration of Trust) at a special meeting of Unitholders, and provision for the appointment of a replacement trustee.

In the event that the Trustee resigns or is removed as provided above, the Manager shall promptly nominate a successor trustee to be elected by the majority of votes of the Unitholders at a special meeting of the Unitholders called by the Manager for this purpose. The removal or resignation of the Trustee shall only become effective upon the appointment of a replacement trustee in accordance with the Declaration of Trust. If within 60 days from the notice of resignation or removal of the Trustee a replacement trustee has not been appointed, any Unitholder may apply to a court for the appointment of a replacement Trustee. If no successor has been appointed by the court within 90 days of such application, the Fund shall be terminated.

The Trustee and each of its directors, officers, and employees will be indemnified by the Fund for all liabilities and expenses reasonably incurred in connection with any action, suit or proceeding that is proposed or commenced or other claim that is made against the Trustee or any of its officers, directors or employees in the exercise of its duties as Trustee, except those resulting from such person’s wilful misconduct, bad faith, negligence, disregard of such person’s standard of care or material breach or default of duty to the Fund in relation to the matter in respect of which indemnification is claimed.

The Trustee will keep adequate books and records reflecting the activities of the Fund. A Unitholder or his or her duly authorized representative will have the right to examine the books and

records of the Fund during normal business hours at the offices of the Trustee. Notwithstanding the foregoing, a Unitholder shall not have access to any information which, in the opinion of the Trustee, should be kept confidential in the interests of the Fund.

Officers and Directors of Venator Capital Management Ltd.

The name, municipality of residence, position with the Manager, and the principal occupation of each of the directors and officers of the Manager is as follows.

<u>Name and Municipality of Residence</u>	<u>Position with the Manager</u>	<u>Principal Occupation</u>
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	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 the Manager, 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.

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 moved 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 as Chief Financial Officer. 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.

FEES AND EXPENSES

General

The Fund is responsible for the payment of all fees and expenses relating to its establishment and operation, including 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 Unitholders and convening and conducting meetings of Unitholders, any registrar and transfer agent fees and expenses, 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 its fees and expenses.

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

Management Fee

The Trustee has engaged the Manager to provide management services and investment advice to the Fund. The Fund will pay the Manager a monthly management fee equal to: (i) 1/12 of 2% of the Net Asset Value of the Class A Units; (ii) 1/12 of 1.5% of the Net Asset Value of the Class C Units, and (iii) 1/12 of 1% of the Net Asset Value of the Class F Units, each determined in accordance with the Declaration of Trust, plus HST (as applicable), calculated and payable at the beginning of each month based on the Net Asset Value of each class of Units as at the end of the immediately preceding month (the "**Management Fee**"). The Manager has the discretion to enter into

arrangements with one or more Unitholders which will have the effect of reducing the Management Fee for such Unitholders

Service Fees and Commissions

The Manager will pay, with respect to the Class A Units, and out of its Management Fee, a quarterly service fee to participating registered financial advisors whose clients hold Class A Units. The service fee will accrue daily and be paid at the end of each calendar quarter to a maximum 1% per annum of the Net Asset Value of the Class A Units held by clients of the applicable dealer.

The Manager will pay, with respect to the Class C Units, and out of its Management Fee, a quarterly service fee to participating registered financial advisors whose clients hold Class C Units. The service fee will accrue daily and be paid at the end of each calendar quarter to a maximum 0.5% per annum of the Net Asset Value of the Class C Units held by clients of the applicable dealer. No service fee is payable in respect of the Class F Units.

Participating dealers may, at their discretion, charge a commission of up to 1% of the Net Asset Value of the Units purchased. Any such fee will be negotiated between the dealer and the investor and will be payable by the investor. No commission is payable on any Units purchased directly from the Manager.

Performance Fee

If the Fund generates a net profit (after payment of all other fees and expenses), the Manager will receive a performance fee (the "**Performance Fee**") on each Unit outstanding on the last Business Day of each year (and on each Unit redeemed prior to the end of a fiscal year) based on the amount by which the Net Asset Value per Unit on such date plus the aggregate amount of all distributions declared on such Unit exceeds an annualized current year return of 5% over the previous High Water Mark for such Unit (the "**Threshold Rate**"). The "**High Water Mark**" for each Unit as at any date means the greater of (i) the purchase price of such Unit or (ii) the highest Net Asset Value per Unit of the Fund recorded on the last Business Day of any previous fiscal year, in either case as adjusted for any distributions declared on the Unit from the date of such Net Asset Value to the end of any such previous fiscal year (the "**Adjusted NAV**"). The Threshold Rate ensures that the Fund meets or exceeds a given level of return while the High Water Mark ensures that any decline in the Net Asset Value of the Unit must subsequently increase to the highest level achieved for such Unit (net of any Performance Fees previously paid) before any Performance Fee is payable.

In any period in which the Performance Fee is payable and the Adjusted NAV per Unit exceeds the High Water Mark, Unitholders will be entitled to, with respect to each Unit, (i) all of the increase in the Adjusted NAV per Unit up to the Threshold Rate and (ii) 90% of any increase in Adjusted NAV per Unit in excess of the Threshold Rate plus 0.5%. The Manager will be entitled to (i) all of the increase in Adjusted NAV per Unit between the Threshold Rate and the Threshold Rate plus 0.5%, and (ii) 10% of any gains in excess of the Threshold Rate plus 0.5%. For example, for all Units on an annualized basis, the return will be allocated such that any return above the High Water Mark from (i) 0.001% to 5% will be accrued to the Unitholders' benefit; (ii) 5.001% to 5.5% the return will be accrued to the benefit of the Manager in the form of the Performance Fee; and (iii) above 5.5% will be accrued 90% to the benefit of the Unitholder and 10% to the Manager as a Performance Fee. The Manager may amend the Threshold Rate from time to time without Unitholder approval.

The Performance Fee payable as at the last Business Day of a fiscal year will be calculated and paid to the Manager after the completion of the annual audit performed by an independent auditor, however the Performance Fee payable on a Unit redeemed prior to the end of the fiscal year will be calculated based on the Adjusted NAV per Unit determined for redemption purposes (which may not be audited). In the event that the Fund does not generate a return on investment on Units of a class in excess of the High Water Mark and the Threshold Rate, then no Performance Fee will be paid to the Manager in such period. Performance Fees are calculated at the Unit level on each Valuation Date and the aggregate amount of the Performance Fees paid is carried as a liability of the Fund until paid to the Manager at the end of each fiscal year, or on redemptions of Units in respect of which such Performance Fees are payable and as such is borne indirectly by all Unitholders.

DESCRIPTION OF UNITS

The Fund may issue an unlimited number of Units. Each Unitholder is entitled to one vote for each Unit held and is entitled to participate equally with respect to any and all distributions made by the Fund. Fractional Units may be issued. On termination, all Unitholders of record holding outstanding Units are entitled to receive any assets of the Fund remaining after payment of all debts, liabilities and liquidation expenses of the Fund. A person wishing to become a Unitholder shall subscribe for Units by means of the subscription form which accompanies this Offering Memorandum. Any such subscription in whole or in part shall be subject to acceptance by the Manager in its sole discretion. See "Purchase of Units".

PURCHASE OF UNITS

General

Units of the Fund are being offered on a private placement basis in all provinces and territories of Canada pursuant to exemptions from certain requirements contained in the securities legislation in each such jurisdiction.

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. 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 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".

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. Purchasers will be required to make certain representations in the subscription agreement and the Manager will rely on such representations to establish the availability of an exemption from prospectus requirements. No subscription will be accepted unless the Manager is satisfied that the subscription is in compliance with applicable securities laws.

Minimum Investment

The minimum subscription amount is \$50,000, or such lesser amount as the Manager may accept. A list of accredited investors 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).

Investors who have invested in Units may subsequently subscribe for additional amounts of at least \$5,000.

Acquisition Charge

There is no commission payable to the Manager in respect of Units purchased directly by a Purchaser from the Manager. A Purchaser may pay a negotiated fee if purchasing through a dealer. Any minimum subscription dollar amounts are net of such fees. 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 Purchasers are advised in writing by the selling dealer of any such fee at the time of investment.

REDEMPTION OF UNITS

Redemption at the Option of the Unitholder

An investment in Units is intended to be a long-term investment. However subject to the Gate (as defined below), Units may be redeemed by Unitholders at their Net Asset Value on any Valuation Date, less any costs of funding such redemption, 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.

Redemption proceeds will be paid to the withdrawing Unitholder 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 Unitholder 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 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 “**Gate**”), the Manager will redeem a pro-rated amount of each such redemption request up to the Gate (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 proceeds for any such deferred redemptions shall be calculated as of the Valuation Date upon which such redemption actually occurs. The Gate may be waived in the Manager’s sole discretion on a case by case basis. The Manager may suspend redemptions or payments in respect thereof at its discretion in whole or in part: (a) for any period in which the Manager determines in its sole discretion that (i) conditions exist which render impractical, the sale of assets of the Fund or which impairs the ability of the Fund to determine the value of any of the Fund’s assets; (ii) the market is acting irrationally and does not allow for proper liquidity or fair pricing of securities; or (iii) there are insufficient liquid assets in the Fund to fund such redemptions or that the liquidation of assets would be detrimental to the Fund; (b) 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; or (c) if, after giving effect to such redemption there would remain insufficient Fund property to pay all liabilities of the Fund, except liabilities to the Manager or to other Unitholders on account of their contributions.

Redemption at the Option of the Fund

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

In particular, the Manager or the Trustee may require a Unitholder to redeem all of the Units owned by such Unitholder if such Unitholder fails to furnish information requested by the Fund to satisfy its FATCA reporting obligations. See “Certain Canadian Federal Income Tax Considerations—Foreign Account Tax Compliance (“**FATCA**)”).

At the option of the Manager, payment of all or part of any redemption proceeds may 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 which is permitted pursuant to the Declaration of Trust 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 Declaration of Trust.

VALUATION OF ASSETS AND COMPUTATION OF NET ASSET VALUE

Valuation of Assets

The Manager will, on the last Business Day of each calendar month 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 Unitholders.

Net Asset Value

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 traded upon a stock exchange shall be the most recent closing price (for both long and short positions) as at the Valuation Date on which the Net Asset Value is being valued (or such other value as Canadian generally accepted accounting principles 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 Unitholders 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 closing price 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 lesser of the acquisition cost or 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 per Unit is the amount obtained by dividing the Net Asset Value of each class and/or series 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 TO UNITHOLDERS

The Fund intends to make distributions to Unitholders of record on the last Business Day of March, June, September and December commencing in March, 2013. Distributions will be made on or before the 15th Business Day in the month following the end of the period for which the distribution is payable. The Fund will not have a fixed quarterly distribution amount but intends to at least annually set periodic distribution targets based on the Manager's estimate of distributable cash flow in the Fund for the period. Based on the Manager's current estimates, the quarterly distribution target of the Fund is 1.00% per quarter (4% per annum) commencing in 2015.

Unless a Unitholder elects in writing to receive such distributions in cash, all such distributions of the Fund will be automatically reinvested, without charge, in additional Units at the Net Asset Value per Unit.

The Fund does not have a fixed quarterly distribution target. The Fund will at least annually determine and announce an indicative quarterly distribution amount for the following 12 months based upon prevailing market conditions and the estimate by the Manager of distributable cash flow for such period. The amount of distributions on Securities may however vary from quarter to quarter, notwithstanding this announcement and there can be no assurance that the Fund will make any distributions in any particular quarter or quarters. Holders are entitled to participate equally in respect of each Security held with respect to any and all distributions made by the Fund. See "Risk Factors".

In addition, it is the Fund's policy to distribute annually to Unitholders sufficient income and capital gains (net of applicable losses) so that it effectively will not pay any Canadian federal income tax under Part I of the Tax Act. The Fund will distribute its annual taxable income and net realized capital gains to Unitholders by the last Business Day of each year and at such other times as determined by the Manager. All such distributions of the Fund will be automatically reinvested, without charge, in additional Units at the Net Asset Value per Unit. See "Canadian Federal Income Tax Considerations".

MEETINGS OF UNITHOLDERS

The Manager may, at any time, convene a meeting of the Unitholders and will be required to convene a meeting on receipt of a request in writing of Unitholders holding 10% or more of Units outstanding (whether Class A Units, Class C Units, and/or Class F Units). The Manager may convene a meeting of holders of Class A Units, Class C Units or Class F Units, as applicable, if the nature of the business to be transacted at that meeting is only relevant to Unitholders of the applicable Class. A meeting of holders of any Class of Units will be convened if requisitioned by Unitholders holding not less than 10% of the Units of such Class then outstanding by a written requisition specifying the purpose of the meeting. Each Unitholder is entitled to one vote for each Unit held. A quorum for ordinary meetings of Unitholders will consist of two or more Unitholders present in person or by proxy and representing not less than 10% of Units outstanding (whether Class A Units, Class C Units or Class F Units). The quorum for a meeting of the holders of any Class of Units is two or more holders of such Class present in person or represented by proxy holding not less than 10% of the Units of such Class then outstanding.

If a quorum is not present at a meeting within 30 minutes after the time fixed for the meeting, the meeting, if convened pursuant to a request of Unitholders, will be cancelled, but otherwise will be adjourned to another day, not less than 10 days or more than 21 days later, selected by the Manager and notice will be given to the Unitholders of such adjourned meeting. The Unitholders present at any adjourned meeting will constitute a quorum.

Certain matters will require the approval of Unitholders by extraordinary resolution (an "**Extraordinary Resolution**"). An Extraordinary Resolution will be a resolution passed by Unitholders holding not less than 66⅔% of Units voting thereon at a meeting duly convened for the consideration of such matter. A quorum for any meeting convened to consider a matter requiring the approval of Unitholders by Extraordinary Resolution will consist of two or more Unitholders present in person or by proxy and representing not less than 10% of Units then outstanding.

The matters which require Unitholder approval by Extraordinary Resolution include the removal of the Trustee or the Manager, the termination of the Fund and certain matters described below under "Amendments to the Declaration of Trust".

AMENDMENTS TO THE DECLARATION OF TRUST

The Declaration of Trust may only be amended with the consent of Unitholders. Changes, in any manner, to the investment objective of the Fund or the liability of any Unitholder require approval by Extraordinary Resolution. A separate class vote may be required if one class of Units would be affected differently than another class.

Notwithstanding the foregoing, the Manager is entitled, without the consent of Unitholders, to make certain amendments to the Declaration of Trust to make any change or correction which is of a typographical nature or is required to cure or correct a clerical omission, for the purpose of curing an ambiguity in the Declaration of Trust, for the purpose of supplementing any provision which may be defective or inconsistent with another provision, for the purpose of compliance with applicable law, for the purpose of conforming the Declaration of Trust with current administrative practice or to provide additional protection to Unitholders. Such amendments may be made only if they will not materially affect the interest of any Unitholder. The Manager may also amend the Declaration of Trust to, among other things, change the investment strategies, investment guidelines and restrictions of the Fund, and change the Threshold Rate with respect to the Performance Fee (currently set at 5%) to an amount within 2% of the prime lending rate, as set by the Bank of Canada from time to time, and decrease the frequency of calculating the Net Asset Value without Unitholder approval. Additionally, the Manager may amend the Declaration of Trust without the consent of the Unitholders for the purpose of removing any conflicts or other inconsistencies which may exist between the Declaration of Trust and applicable law and changing the Fund's taxation year-end as permitted under the Tax Act. Any amendments made by the Manager without the consent of the Unitholders will be disclosed in the next regularly scheduled report to Unitholders. In addition to any other provision in the Declaration of Trust, Unitholders shall be given not less than 45 days written notice before any of the following changes may be implemented:

- (a) a material change to the Declaration of Trust or to any management agreement executed by the Manager on behalf of the Fund;
- (b) a change of Venator Capital Management Ltd., as the investment advisor of the Fund, or the delegation by the Manager of day-to-day management responsibilities for the business and affairs of the Fund to another entity, other than to an affiliate of the Manager; or
- (c) a decrease in the frequency of calculating the Net Asset Value.

TERMINATION OF THE FUND

The Fund will continue until the removal or resignation of the Manager as described under "Management of the Fund" or if the Manager determines to terminate the Fund. The Manager may, in its discretion, terminate the Fund without the approval of Unitholders if, in the opinion of the Manager, the Net Asset Value is reduced as the result of redemptions or otherwise so that it is no longer economically feasible to continue the Fund and it would be in the best interests of the Unitholders to terminate the Fund. The Fund will provide Unitholders with notice in writing no less than 30 days and no more than 60 days prior to such termination. The Fund may also be terminated by an Extraordinary Resolution to this effect at a duly convened meeting of Unitholders and upon the Fund providing Unitholders of notice in writing of such resolution no less than 90 days' notice prior to the date of termination.

Upon any termination the Manager will sell or redeem or cause to be sold or redeemed all investments which then form part of the property of the Fund and, after paying outstanding liabilities (including any payments owing to the Manager), the Fund will distribute its remaining assets *pro rata* to Unitholders.

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 for such services will be paid by the Fund.

PRIME BROKERS AND CUSTODIANS

Scotia Capital Inc., Toronto, Ontario and CIBC World Markets Inc., Toronto, Ontario, are the prime brokers and custodians of the assets of the Fund.

REPORTS TO UNITHOLDERS

The audited annual and unaudited semi-annual financial statements of the Fund will be prepared and sent to Unitholders 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 Unitholder a report on taxable income or loss and distributions of cash to the Manager and the Unitholders for such fiscal period and tax information to enable each Unitholder 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 Unitholder quarterly unaudited financial information respecting the Net Asset Value per Unit within 30 days after the end of each calendar quarter.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to the acquisition, holding and disposition of Units by a Unitholder who acquires Units pursuant to this offering. This summary is applicable to a Unitholder who is an individual (other than a trust) and 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 and holds Units as capital property. Generally, Units will be considered to be capital property to a Unitholder provided that the Unitholder does not hold such securities in the course of carrying on a business of buying and selling securities and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain Unitholders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to have them and all other "Canadian securities" (for the purposes of the Tax Act) owned or subsequently

acquired by them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. This summary does not apply to a Unitholder that has entered or will enter into a “derivative forward agreement” within the meaning of the Tax Act, with respect to the Units.

This summary is based on the current provisions of the Tax Act and the regulations thereunder, counsel’s understanding of the current administrative policies and assessing practices of the Canada Revenue Agency (the “**CRA**”) and all specific proposals to amend the Tax Act and regulations thereunder publicly announced by the Minister of Finance (Canada) prior to the date hereof (the “**Tax Proposals**”). This summary does not address any special considerations for such Unitholders and any such Unitholders should consult their own tax advisors. This summary assumes that the Tax Proposals will be enacted as proposed, although there is no assurance in this regard. This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, nor does it take into account provincial or foreign income tax legislation or considerations.

This summary is also based on the assumption that the Fund will at no time be a “SIFT trust” for the purposes of the Tax Act. Provided that units of, or other investments in, the Fund are not listed or traded on a stock exchange or other public market, the Fund will not be a SIFT trust for the purposes of the Tax Act.

This summary is not exhaustive of all possible Canadian federal tax considerations applicable to an investment in Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units will vary depending on the prospective investor’s particular circumstances including the province or provinces in which the prospective investor resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any investor. Prospective investors should consult their own tax advisors for advice with respect to the income tax consequences of an investment in Units, based on their particular circumstances.

Status of the Fund

This summary is based on the assumption that the Fund will qualify at all times as a “unit trust” and a “mutual fund trust” within the meaning of the Tax Act. In order to so qualify, the Fund must comply on a continuous basis with certain investment criteria and certain minimum distribution requirements relating to the Units. In addition, the Fund may not reasonably be considered to be established or maintained primarily for the benefit of non-resident persons unless all or substantially all of its property is property other than “taxable Canadian property” as defined in the Tax Act. In the event the Fund were not to qualify as a mutual fund trust at all times, the income tax consequences described below would in some respects be materially and adversely different.

Taxation of the Fund

The Fund will be subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the year, including net realized taxable capital gains, computed as if it were an individual resident in Canada. The Fund will be entitled to deduct, in computing its income in each taxation year reasonable administrative expenses incurred to earn income. The Fund will be entitled to deduct the costs incurred by it in connection with the issuance of Units on a five-year, straight-line basis, subject to proration for short taxation years. The Fund is also entitled to deduct in computing its income for the taxation year the portion thereof that it claims in respect of the amount paid or payable

to Unitholders in the year. Provided the Fund makes distributions in each year of its net income and net realized capital gains as described under “Distributions to Unitholders”, it will generally not be liable in such year for income tax under Part I of the Tax Act.

The Fund will be required to include in its income for a taxation year all dividends received or considered to be received in the year on shares of corporations. The Fund will be required to include in its income for each taxation year, all interest on debt obligations that accrues to it to the end of the year, or becomes receivable or is received by it before the end of the year, except to the extent that such interest was included in computing its income for a preceding taxation year.

On a disposition of an investment held by the Fund that is capital property, the Fund will realize a capital gain (or capital loss) to the extent that the aggregate of the proceeds of disposition exceed (or are exceeded by) the adjusted cost base of such investment and any reasonable costs of disposition.

The Fund will be entitled for each taxation year throughout which it is a mutual fund trust to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized capital gains by an amount determined under the Tax Act based on the redemptions of Units during the year (“capital gains refund”). The capital gains refund in a particular taxation year may not completely offset the tax liability of the Fund for such taxation year which may arise upon the sale of securities in connection with redemptions of Units.

Capital gains which may arise upon the sale of securities in connection with redemptions of Units will be allocated to the redeeming Unitholder.

The Fund will derive income or gains from investments in countries other than Canada and, as a result, may be liable to pay tax to such countries. To the extent that such foreign tax paid qualifies as an income or profits tax (for example, withholdings on foreign source dividends) and does not exceed 15% of such amount and has not been deducted in computing the Fund’s income, the Fund may designate a portion of its foreign source income in respect of a Unitholder so that such income and a portion of the foreign tax paid by the Fund may be regarded as foreign source income of, and foreign tax paid by, the Unitholder for the purposes of the foreign tax credit provisions of the Tax Act. To the extent that such foreign tax paid by the Fund exceeds 15% of the amount included in the Fund’s income from such investments, such excess may generally be deducted by the Fund in computing its income for purposes of the Tax Act.

Taxation of Unitholders

A Unitholder will generally be required to include in computing income for a taxation year the amount of the Fund’s net income for the taxation year, including net realized taxable capital gains, paid or payable to the Unitholder in the taxation year, whether such amount is paid to the Unitholder in cash, additional units or otherwise. The non-taxable portion of the Fund’s net realized capital gains paid or payable to a Unitholder in a taxation year will not be included in the Unitholder’s income for the year. Any other amount in excess of the Fund’s net income for a taxation year paid or payable to the Unitholder in the year will not generally be included in the Unitholder’s income. Such amount, however, will generally reduce the adjusted cost base of the Unitholder’s Units, except to the extent such amount is the non-taxable portion of a capital gain of the Fund the taxable portion of which was designated to the Unitholder.

Provided that appropriate designations are made by the Fund, such portion of (a) the net realized taxable capital gains of the Fund, and (b) the taxable dividends received by the Fund on shares of taxable Canadian corporations or allocated to the Fund, as is paid or payable to a Unitholder will effectively retain their character and be treated as such in the hands of the Unitholder for purposes of the Tax Act. To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the normal gross-up and dividend tax credit rules will apply, including the enhanced dividend tax credit in respect of “eligible dividends” paid by Canadian corporations.

Under the Tax Act, the Fund is permitted to deduct in computing its income for a taxation year an amount which is less than the amount of its distributions for the year. This will enable the Fund to utilize, in a taxation year, losses from prior years without affecting the ability of the Fund to distribute its income annually. The amount distributed to a Unitholder but not deducted by the Fund will not be included in the Unitholder’s income but will be a return of capital and the adjusted cost base of the Unitholder’s Units will be reduced by such amount.

The Net Asset Value per Unit will reflect any income and gains of the Fund that have accrued at the time Units are acquired. Accordingly, a Unitholder who acquires Units may become taxable on the Unitholder’s share of income and gains of the Fund that accrued before the Units were acquired.

On the disposition or deemed disposition of a Unit, a Unitholder will generally realize a capital gain (or capital loss) to the extent that the Unitholder’s proceeds of disposition exceed (or are exceeded by) the aggregate of the adjusted cost base of Units and any reasonable costs of disposition. For the purpose of determining the adjusted cost base to a Unitholder, when a Unit is acquired, the cost of the newly-acquired Units will be averaged with the adjusted cost base of all Units owned by the Unitholder as capital property before that time. For this purpose the cost of Units that have been issued as a distribution or on the automatic reinvestment of income or distributions (as contemplated under “Distributions to Unitholders”) will generally be equal to the amount of the net income or capital gain distributed to the Unitholder that has been reinvested in Units.

One-half of any capital gain (“taxable capital gain”) realized on the disposition of Units will be included in the Unitholder’s income and one-half of any capital loss (“allowable capital loss”) realized must be deducted from taxable capital gains in accordance with the provisions of the Tax Act. Allowable capital losses for a taxation year in excess of taxable capital gains for that taxation year may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net realized taxable capital gains in accordance with the provisions of the Tax Act.

In general terms, net income of the Fund paid or payable to a Unitholder that is designated as net realized taxable capital gains or as dividends, as well as taxable capital gains realized on the disposition of Units, may increase the Unitholder’s liability for alternative minimum tax.

Provided the appropriate designations are made by the Fund, such portion of the income of the Fund from foreign sources as is paid or payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Tax Act. A Unitholder will generally be entitled to foreign tax credits in respect of foreign taxes under and subject to the detailed foreign tax credit rules under the Tax Act.

Foreign Account Tax Compliance (“FATCA”)

Pursuant to the recent *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 Unitholders 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 Unitholders. The administrative costs of compliance with FATCA may also cause an increase in the operating expenses of the Fund further reducing the returns to Unitholders. Unitholders 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 Unitholders to determine whether the Unitholder is a U.S. person or in certain cases whether a non-U.S. entity Unitholder has any U.S. owners, and certain information is provided to the IRS with respect to these investors. Unitholders 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 Unitholder to withholding taxes or mandatory redemption of its entire interest in the Fund.

Unitholders who fail to provide the required information are subject to compulsory redemption of their Units. Additionally, the Fund may (i) require the Unitholder(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 Unitholder(s) and/or (iii) seek other available remedies (including through the compulsory redemption of Units held by such Unitholder(s)). Unitholders are encouraged to consult with their own tax advisors regarding the possible applicability of the FATCA legislation on their investment in the Fund.

ELIGIBILITY FOR INVESTMENT

Provided the Fund continues to qualify as a "mutual fund trust" as defined in the Tax Act, Units will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts (collectively, "**Deferred Plans**").

Notwithstanding that the Units may be a qualified investment for Deferred Plans, the holder of a tax-free savings account ("**TFSA**"), or the annuitant of a registered retirement savings plan ("**RRSP**") or a registered retirement income fund ("**RRIF**"), as the case may, will be subject to a penalty tax if the Units are a "prohibited investment" for a trust governed by a particular TFSA, RRSP or RRIF. Units will generally not be a prohibited investment for trusts governed by a TFSA, RRSP or RRIF unless the holder of the TFSA or the annuitant under the RRSP or RRIF, as applicable, (i) does not deal at arm's length with the Fund for purposes of the Tax Act, and (ii) has a "significant interest" as defined in the Tax Act in the Fund. In addition, the Units will generally not be a "prohibited investment" if the Units are "excluded property" as defined in the Tax Act for trusts governed by a TFSA, RRSP or RRIF.

Holders or annuitants should consult their own tax advisors with respect to whether Units would be prohibited investments, including with respect to whether the Units would be “excluded property” as defined in the Tax Act.

RISK FACTORS

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

Risks Associated with an Investment in the Fund

No Assurance of Achieving Investment Objectives and No Guaranteed Rate of Return

There is no assurance that the Fund will be able to achieve its investment objective. There is no assurance that the Fund will make distributions. The funds available for distribution to Unitholders will vary according to, among other things, the return on the Fund’s assets and the value of the Fund’s assets. There is no assurance that the Fund will earn any return. It is possible that, due to declines in the market value of the Fund’s assets, the Fund will have insufficient assets to achieve its investment objective.

Limited Operating History

Although the persons involved in the management of the Fund and the service providers to the Fund, as the case may be, have had long experience in their respective fields of specialization, it has to be considered that the Fund has a limited operating and performing history upon which prospective investors can evaluate the Fund’s performance.

Limited Ability to Liquidate Investment

There is no formal market for the Units and one is not expected to develop. Accordingly, it is possible that Unitholders 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. Unitholders 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.

Reliance on the Manager

The Fund relies on the ability of the Manager and its principals, especially Brandon Osten, to manage the assets of the Fund. The Manager will make investment decisions upon which the success of the Fund will depend significantly. No assurance can be given that the investment approaches utilized by the Manager will prove successful. There can be no assurance that satisfactory replacements for the Manager will be available, if needed. Removal of the Manager will not terminate the Fund, but will expose investors to the risks involved in whatever new investment management arrangements the replacement advisor is able to negotiate. In addition, the liquidation of positions held for the Fund as a result of the resignation or removal of the Manager may cause substantial losses to the Fund.

Potential Liability

The Fund is a unit trust and, as such, the Unitholders do not receive the protection of statutorily mandated limited liability as in the case of shareholders of most Canadian corporations. There is no guarantee, therefore, that Unitholders could not be made party to legal action in connection with the Fund. However, the Declaration of Trust will provide that no Unitholder, in its capacity as such, will be subject to any personal liability whatsoever, in tort, contract or otherwise, to any person in connection with the Fund's property or the obligations or the affairs of the Fund and all such persons shall look solely to the Fund's property for satisfaction of claims of any nature arising out of or in connection therewith and the Fund's property only shall be subject to levy or execution. Pursuant to the Declaration of Trust, the Fund will indemnify and hold harmless out of the Fund's assets each Holder from any costs, damages, liabilities, expenses, charges and losses suffered by a Unitholder resulting from or arising out of such Unitholder not having limited liability.

The Declaration of Trust provides that the Manager shall use reasonable means to cause the Fund's operations to be conducted in such a way as to minimize any such risk and, in particular, where feasible, to cause every written contract or commitment of the Fund to contain an express disavowal of liability of Unitholders.

In any event, it is considered that the risk of any personal liability of Unitholders is minimal in view of the anticipated equity of the Fund, and the nature of its activities. In the event that a Unitholder should be required to satisfy any obligation of the Fund, such Unitholder will be entitled to reimbursement from any available assets of the Fund.

Unitholder Liability

The Declaration of Trust provides that no Unitholder will be subject to any liability whatsoever to any person in connection with the investment obligations, affairs or assets of the Fund other than the obligation to pay fees as described above. There is a risk that is considered by the Manager to be remote in the circumstances, that a Unitholder could be held personally liable, notwithstanding the foregoing statement in the Declaration of Trust, for obligations of the Fund to the extent that claims are not satisfied out of the assets of the Fund. It is intended that the operations of the Fund will be conducted so as to minimize such risk.

Mutual Fund Trust Status

There can be no assurance that federal income tax laws or the judicial interpretation thereof or the administrative policies and assessing practices of the CRA will not be changed in a manner which adversely affects the Unitholders. If the Fund ceases to qualify as a "mutual fund trust" for the purposes of the Tax Act, the income tax considerations described above under the headings "Canadian Federal Income Tax Considerations" and "Eligibility for Investment" would be materially and adversely different in certain respects.

Not a Public Mutual 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 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. As a result,

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

Tax Related Risks

In determining its income for tax purposes, the Fund will generally treat gains or losses on the disposition of securities as capital gains and losses. The CRA's practice is not to grant advance income tax rulings on the characterization of items as capital gains or income and no advance income tax ruling has been requested or obtained.

If units of, or other investments in, the fund are listed or traded on a stock exchange or other public market, the taxes in respect of "SIFT trusts" in the Tax Act may apply to the Fund and the income tax considerations described therein would be materially and adversely different in certain respects.

There can be no assurance that federal income tax laws or the judicial interpretation thereof or the administrative policies and assessing practices of the CRA will not be changed in a manner which adversely affects the Unitholders.

Possible Effect of Redemption

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.

Charges to the Fund

The Fund is obligated to pay all fees, brokerage commissions and legal, accounting, filing and other expenses regardless of whether the Fund realizes profits. In addition, the Fund may allocate profits to the Manager in respect of a fiscal year as described in "Fees and Expenses".

Potential Indemnification Obligations

Under certain circumstances, the Fund may be subject to significant indemnification obligations in respect of the Manager, any investment advisor or other related parties. 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 Fund's Net Asset Value and, by extension, the value of the Units.

Lack of Independent Experts Representing Unitholders

Each of the Trustee and the Manager has consulted with a single legal counsel regarding the formation and terms of the Fund and the offering of Units. The Unitholders have not, however, been independently represented. Therefore, to the extent that the Fund, the Unitholders or this offering could benefit by further independent reviews, 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.

Changes in Investment Strategy

The Manager may alter the investment strategy of the Fund without prior approval by the Unitholders if the Manager determines that such change in strategy is consistent with the Fund's investment objective and in the best interest of Unitholders. There is no guarantee that such a change in investment strategy will be profitable or will not cause losses for Unitholders.

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 Declaration of Trust.

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 Unitholder who redeems all or part of its Units while the Fund holds such investments will be paid an amount less than such Unitholder 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 Unitholder 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 Unitholder (or an additional investment by an existing Unitholder) could dilute the value of such investments for the other Unitholders 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 Unitholder (or an existing Unitholder 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.

No Involvement of Unaffiliated Selling Agent

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 Manager.

Expenses Ultimately Borne by the Unitholders

Fees and expenses borne by the Fund will directly or indirectly impact the Net Asset Value.

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. 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.

Securities Lending

The Fund may engage in securities lending as described under “Investment Strategies”. Although the Fund will receive collateral for the loans and such collateral is marked to market, the Fund will be exposed to the risk of loss should the borrower default on its obligation to return the borrowed securities and the collateral is insufficient to reconstitute the portfolio of loaned securities.

Loss of Investment Risk

An investment in the Fund is appropriate only for investors who have the capacity to absorb a loss.

Not a Complete Investment Program

AN INVESTMENT IN THE FUND INVOLVES RISKS AND IS NOT INTENDED AS A COMPLETE INVESTMENT PROGRAM. 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. INVESTORS SHOULD REVIEW CLOSELY THE INVESTMENT OBJECTIVE AND INVESTMENT STRATEGIES TO BE UTILIZED BY THE FUND AS OUTLINED HEREIN TO FAMILIARIZE THEMSELVES WITH THE RISKS ASSOCIATED WITH AN INVESTMENT IN THE FUND.

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.

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. It is possible that the Fund may not be able to sell or repurchase significant portions of such positions without facing substantially adverse prices. If the Fund is required to transact in such securities before its intended investment horizon, the performance of the Fund could suffer.

Fixed Income Securities

The Fund, to the extent that it holds fixed income securities, 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 securities, 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.

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 high costs being borne by the Fund.

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, Unitholders could sustain a total loss of their investment.

Concentration

The Manager may take more concentrated positions than a typical fund or concentrate investment holdings in specialized industries, market sectors or in a limited number of issuers. Investment in the Fund involves greater risk and volatility since the performance of one particular sector, market, or issuer could significantly and adversely affect the overall performance of the Fund.

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 Unitholders 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. To protect the Fund's capital against the occurrence of such events, the Manager will attempt to maintain a diversified portfolio.

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.

Investment Risk Rating

The Manager has identified the investment risk level of the Fund as an additional guide to help prospective investors decide whether the Fund is right for the investor. The Manager's determination of the investment risk rating for the Fund is based on the methodology outlined in Appendix F, Investment Risk Classification Methodology, of National Instrument 81-102 *Investment Funds*. A fund's risk is measured using its standard deviation for the most recent 10 year period. The standard deviation represents, generally, the level of volatility in returns that a fund has historically experienced over the set measurement periods. For funds that have a historical performance of less than ten years, an appropriate reference index is used to reasonably approximate the expected volatility and therefore risk level of the fund for the remainder of the ten-year period. **The S&P/TSX Income Trust index was used as the reference index for the period prior to the Fund commencing operations on August 1, 2008.** However, you should be aware that other types of risk, both measurable and non-measurable, may exist. Additionally, just as historical performance may not be indicative of future returns, the Fund's historical volatility may not be indicative of its future volatility. **In accordance with the methodology described above, the Manager has rated the Fund's investment risk as Low-Medium.**

CONFLICTS OF INTEREST

Various potential conflicts of interest exist or may exist between the Fund, the Manager and other funds managed by the Manager. The potential conflicts of interests may arise as a result of common ownership and certain common directors, officers and personnel and, accordingly, will not be resolved through arm's length negotiations but through the exercise of judgment consistent with fiduciary responsibilities to Unitholders generally.

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 Select Fund, Venator Partners 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 will be subject to the provisions of the Declaration of Trust, which provides that the Manager will execute its duties in good faith and with a view to the best interests of the Fund and the Unitholders.

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 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.

MATERIAL CONTRACTS

The only material contract of the Fund is the Declaration of Trust referred to under "Venator Income Fund". Copies of the Declaration of Trust may be inspected by Unitholders at the principal office of the Manager during normal business hours.

EXEMPTIONS AND APPROVALS

The Manager has obtained the approval of the OSC to act as trustee of the Fund and any other future mutual fund trusts which may be established and managed by the Manager, from time to time, the securities of which will be offered pursuant to prospectus exemptions. The Fund is also relying on the exemption in section 2.11 of National Instrument 81-106 *Investment Fund Continuous Disclosure*, from the requirement to file its financial statements with the OSC.

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 Unitholders is collected and maintained. Such personal information is collected to enable the Manager and any third-party service providers to provide Unitholders with services in connection with their investment in the Fund, to meet legal and regulatory requirements and for any other purpose to which Unitholders 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 Trustee may require additional information concerning Unitholders and prospective investors.

If, as a result of any information or other matter which comes to the attention of the Manager, or any director, officer or employee of the Manager, or its professional advisors, knows or suspects that a Unitholder or 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 and 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.

Alberta

Section 204 of the *Securities Act* (Alberta) provides that if an offering memorandum contains a Misrepresentation, a purchaser who purchases a security offered by the offering memorandum is deemed to have relied on the representation, if it was a Misrepresentation at the time of the purchase, and has a right of action (a) for damages against (i) the issuer, (ii) every director of the issuer at the date of the offering memorandum, and (iii) every person or company who signed the offering memorandum, and (b) for rescission against the issuer, provided that:

- (a) if the purchaser elects to exercise its right of rescission, it shall cease to have a right of action for damages against the person or company referred to above;
- (b) no person or company referred to above will be liable if it proves that the purchaser had knowledge of the Misrepresentation;
- (c) no person or company (other than the issuer) referred to above will be liable if it proves that the offering memorandum was sent to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its being sent, the person or company promptly gave reasonable notice to the issuer that it was sent without the knowledge and consent of the person or company;
- (d) no person or company (other than the issuer) referred to above will be liable if it proves that the person or company, on becoming aware of the Misrepresentation in the offering memorandum, withdrew the person's or company's consent to the

offering memorandum and gave reasonable notice to the issuer of the withdrawal and the reason for it;

- (e) no person or company (other than the issuer) referred to above will be liable if, with respect to any part of the offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, the person or company proves that the person or company did not have any reasonable grounds to believe and did not believe that:
 - (i) there had been a Misrepresentation; or
 - (ii) the relevant part of the offering memorandum
 - (A) did not fairly represent the report, opinion or statement of the expert, or
 - (B) was not a fair copy of, or an extract from, the report, opinion or statement of the expert;
- (f) the person or company (other than the issuer) will not be liable if with respect to any part of the offering memorandum 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
 - (i) did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no Misrepresentation, or
 - (ii) believed there had been a Misrepresentation;
- (g) in no case shall the amount recoverable exceed the price at which the securities were offered under the offering memorandum;
- (h) the 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;

Section 211 of the *Securities Act* (Alberta) provides that no action may be commenced to enforce these rights more than:

- (a) in the case of an action for rescission, 180 days from the day of the transaction that gave rise to the cause of action, or
- (b) in the case of any action, other than an action for rescission, the earlier of
 - (i) 180 days from the day that the plaintiff first had knowledge of the facts giving rise to the cause of action, or
 - (ii) 3 years from the day of the transaction that gave rise to the cause of action.

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 (such as this 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.

Further, 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 73.3 of the *Securities Act* (Ontario) section 2.3 of NI 45-106 *Prospectus Exemptions* (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.

British Columbia and Québec

Notwithstanding that the *Securities Act* (British Columbia) 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 Unitholders. No independent legal counsel has been retained by the Manager or the Fund to represent the Unitholders. 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 Unitholders may differ from those of the Fund and the Manager. Stikeman does not represent the Unitholders’ 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.