

This prospectus constitutes a public offering of these securities only in Saskatchewan and therein only by persons permitted to sell such securities. Neither the Saskatchewan Financial Services Commission nor any other securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

## PROSPECTUS

Continuous Offering

December 19, 2011

# SASKWORKS VENTURE FUND INC.

Class A Shares & Class A-Resource Shares

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|                                  |   |
|----------------------------------|---|
| Offering Price:                  | Net Asset Value per Class A Share<br>Net Asset Value per Class A-Resource Share |
| Minimum Initial Subscription:    | \$500, subject to waiver by the Fund  |
| Minimum Subsequent Subscription: | \$100, subject to waiver by the Fund  |
| Maximum Offering:                | \$50 million in any calendar year<br>\$500 million overall                      |

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**The Fund:** SaskWorks Venture Fund Inc. is registered as a labour-sponsored venture capital corporation under the Saskatchewan Act. **See "Overview of the Legal Structure of the Fund".**

The Fund invests in small and medium sized eligible businesses in both rural and urban centers in Saskatchewan, with the objective of achieving long term capital appreciation. Under the Saskatchewan Act, Eligible Investments for the Fund are investments in eligible businesses, defined as taxable corporations or limited partnerships that carry on business in Saskatchewan, that together with related corporations or limited partnerships, do not have more than 500 employees in Saskatchewan, and that in the taxation year preceding the investment paid at least 25% of all their wages and salaries to employees of their permanent establishment in Saskatchewan. **See "Investment Objectives" and "Investment Strategies".**

**The Sponsor:** The sponsor of the Fund is SaskWorks Federation of Unions, a federation currently comprised of certain Saskatchewan union locals of the Communications, Energy & Paperworkers' Union of Canada (Saskatchewan Area Council), a trade union as defined in *The Trade Union Act* (Saskatchewan), and former sponsor of the Fund. **See "Organization and Management Details of the Fund - Management of the Fund - The Sponsor".**

**The Manager:** The manager and portfolio advisor of the Fund is PFM Venture Capital Operations Inc., a Saskatchewan corporation. **See "Organization and Management Details of the Fund - The Manager".**

**The Offering:** Subscriber Shares are offered by the Fund on a continuous basis and issued at the Net Asset Value per Share attributable to the applicable class of Subscriber Shares as at the close of business on the last business day of each week in which the subscription is received by the Fund, except those Subscriber Shares subscribed for subsequent to the last Weekly Valuation Update, but on or prior to the Cut-off Date, which will be issued for a purchase price equal to the Net Asset Value per Share as of the Cut-off Date. **See "Calculation of Net Asset Value" and "Description of the Securities Distributed - Class A Shares and Class A-R Shares".** Subscriber Shares may only be issued to an individual who is a resident in Saskatchewan on the last day of the taxation year for which he/she applies for a tax credit, or to such individual's or to his or her spouse's or common law partner's RRSP. For an individual purchasing Subscriber Shares during the taxation year in respect of which he/she intends to apply for the tax credits applicable to such purchase, the onus rests with the individual to ensure that he/she is still resident in Saskatchewan (for purposes of payment of provincial income tax) on December 31st of that year. If this is not the case, such individual will not be eligible for the 20% Saskatchewan tax credit in respect of the purchase of the Subscriber Shares. **See "Income Tax Considerations - Tax Credits Available to First Purchaser of Class A Shares and Class A-R Shares".** The Fund may suspend offering Subscriber Shares and recommence offering Subscriber Shares at any time that the Fund, in its discretion, deems appropriate. The minimum initial subscription for Subscriber Shares is \$500 with a minimum subsequent subscription of \$100, subject to waiver by the Fund to accommodate preauthorized contribution plans and payroll deduction plans. Pursuant to the Saskatchewan Act, the maximum dollar amount of Subscriber Shares that can be issued in any one calendar year is \$50 million, and the maximum dollar amount of Subscriber Shares that can be issued by the Fund overall is \$500 million. Investors may invest all of their subscription in Class A Shares, in Class A-R Shares or in a combination of both classes of Subscriber Shares. Subscriptions will be received subject to rejection or allotment in whole or in part in the discretion of the Fund. The Subscriber Shares are offered for sale only through registered dealers or other persons licensed to sell Subscriber Shares of the Fund. **See "Purchase of Securities (Plan of Distribution)".**

The Fund will initially hold the proceeds in cash or invest the proceeds in investment grade securities, consisting of guaranteed investment certificates, government bonds, provincial term deposits or schedule I chartered bank term certificates prior to being invested in eligible businesses. **See "Use of Proceeds".** As at October 31, 2011, the Fund had net assets of \$232,514,119 (October 31, 2010 - \$183,221,253) of which \$172,590,215 (October 31, 2010 - \$146,691,423) was attributable to the capital raised through the issuance of Class A Shares and \$59,923,904 (October 31, 2010 - \$36,529,830) was attributable to the capital raised through the issuance of Class A-R Shares. In addition, as at October 31, 2011 the Fund had a carrying value of existing eligible venture capital investments and committed eligible venture capital investments of \$126,248,687 (or 73.2% of the total net assets) attributable to the capital raised through the issuance of Class A Shares and \$27,267,975 (or 45.5% of the total net assets) attributable to the capital raised through the issuance of Class A-R Shares. **See "Sectors and Investments".** As at the date of this prospectus, the Sponsor is the registered holder of 10 Class B shares (being all of the issued and outstanding Class B Shares).

Each separate class of shares of the Fund will have its own eligible venture investments that will be made using only the subscription proceeds raised through the issuance of that class of shares. While it is possible that each separate class of shares of the Fund may invest in the same eligible venture investment, subject to the class of share's venture investment concentration limits, the venture investment made by each class of shares of the Fund is recorded and held only within that class of shares. Any income or losses that are attributable to a particular venture investment are allocated only to the separate class of shares within which the venture investment is recorded. Costs and expenses of the Fund not specifically identifiable to either of the Class A Shares and the Class A-R Shares will be allocated, at the time the costs and expenses are incurred, on the basis of the relative share capital as a proportion of the total share capital of the Class A Shares and the Class A-R Shares as at the latest available Weekly Valuation Update.

The venture investment and share subscription activity of each class of shares will have a separate accounting such that the net assets attributable to each class of shares will be reflected in the financial statements.

**Tax Benefits:** Individual Saskatchewan residents (other than trusts) who purchase Subscriber Shares will be eligible for a Federal tax credit of 15% of the individual's net cost of the purchase of Subscriber Shares to a maximum of \$750 per year (which is reached at an investment of \$5,000) and a Saskatchewan tax credit of 20% of the individual's net cost of the purchase of Subscriber Shares to a maximum of \$1,000 per year (which is reached at an investment of \$5,000). An individual (other than a trust) who is an annuitant under a RRSP or the spouse or common law partner of the annuitant under a spousal RRSP will be entitled to the tax credit in respect of the purchase of Subscriber Shares by the RRSP provided under the Federal Act. An individual Saskatchewan resident (other than a trust) who makes contributions to a RRSP under which the individual or his or her spouse or common law partner is the annuitant will also be eligible for the Saskatchewan tax credit provided the RRSP is the first purchaser of the Subscriber Shares and those contributions can reasonably be considered to have been used by the RRSP to acquire or subscribe for the Subscriber Shares. Investors, who purchase Subscriber Shares on or prior to the Cut-off Date, may elect to have their Federal and Saskatchewan tax credits apply in respect of the preceding taxation year instead of the current taxation year. The maximum Saskatchewan and Federal tax credits apply in respect of an investor's aggregate purchase of shares issued by prescribed labour-sponsored venture capital corporations. **See "Income Tax Considerations"**.

Pursuant to the Saskatchewan Act, Subscriber Shares may be purchased by individuals and transferred to trusts governed by RRSPs or RRIFs, or Subscriber Shares may be purchased directly by an individual's RRSP. Where the Subscriber Shares are purchased by an individual and transferred to a trust governed by a RRIF, the tax credits will also generally be available to the contributor to the RRIF. A trust governed by a RRIF cannot subscribe for Subscriber Shares directly. Shares cannot be subscribed for by, and Subscriber Shares cannot be transferred to, a TFSA.

The maximum tax credits are aggregate limits applicable to the purchases of shares of prescribed and registered labour-sponsored venture capital corporations, including the Fund. If in the opinion of the Saskatchewan Minister responsible for labour-sponsored corporations, the number of corporations registered is sufficient to take up the maximum annual tax credits available, the Saskatchewan Minister may suspend the allowance of tax credits or allocate the tax credits amongst the registered labour-sponsored corporations.

**Redemption:** The Fund may have contingent liability for the repayment of tax credits in certain circumstances. Investors, who request redemption of Subscriber Shares within eight years of the date of acquisition will, subject to certain exceptions, be subject to a withholding fee equal to the Federal and Saskatchewan tax credits received on the purchase of such Subscriber Shares. In addition, investors must pay the Early Redemption Fee if their Subscriber Shares are redeemed within eight years of purchase. **See "Income Tax Considerations", "Other Material Facts - Penalties Potentially Applicable to the Fund" and "Description of Securities Distributed - Class A Shares & Class A-R Shares - Redemption by Holders"**.

Redemption of the Subscriber Shares is substantially restricted both by law and due to the fact that the obligation of the Fund to redeem the Subscriber Shares is based on the profitability and retained earnings of the Fund. The Fund shall maintain a Capital Reserve in each class of the Subscriber Shares. The Capital Reserve shall be invested in high quality government and corporate debt obligations. In particular, with respect to redemption of Subscriber Shares:

- (1) the Fund is prohibited by law from making redemptions in certain circumstances;
- (2) the Fund may suspend redemptions for substantial periods of time in certain circumstances; and
- (3) the Fund, in any fiscal year and subject to certain exceptions, will not redeem Subscriber Shares if: (i) the redemption would create a working capital deficiency for the Fund in the class of Subscriber Shares for which redemption is requested; (ii) the redemption would cause the Fund to be in default of its financial obligations under an arm's length loan agreement; or (iii) the Fund is insolvent or would be rendered insolvent as a result of the redemption. Further, the Fund will not be required to redeem Subscriber Shares if the total redemptions in the fiscal year would exceed either 20% of the Fund's retained earnings or 50% of the Fund's net earnings after taxes for the previous fiscal year in the class of Subscriber Shares for which redemption is requested.

Where a request for redemption has been declined by the Fund for any of the foregoing reasons, the request will remain in effect until withdrawn by the shareholder or subsequently fulfilled by the Fund. Investors may not be able to dispose of their Subscriber Shares other than by way of redemption as there is no formal market, such as a stock exchange, through which

Subscriber Shares may be sold, and none is expected to develop. There are restrictions on the transfer of Subscriber Shares. See **"Description of the Securities Distributed - Class A Shares and Class A-R Shares - Transfer"**.

The redemption price and the issue price of each class of the Subscriber Shares will be the Net Asset Value per Share, as determined by the Manager at the end of each business week, based on the approximated value of the Fund's investment portfolio at that time. The Fund determines the value of its Subscriber Shares on an annual basis, as at the last day of August in each year. In order to determine the annual value of the Subscriber Shares, the Fund engages the Fund's auditors to review the fair value of the Fund's portfolio, in aggregate, prepared by the Manager to determine that such fair value is, in all material respects, reasonable. On a quarterly basis, the Manager prepares a valuation of the portfolio, and presents it to the Audit/Valuation Committee of the Board for approval. On an annual basis, the Manager prepares a valuation of the portfolio, and presents it to the Audit/Valuation Committee, and the Board for approval. Unless requested by the Fund's auditors, annual independent valuations will not be conducted in respect of each investment within the Fund's portfolio. Should an independent valuation of any of the Fund's portfolio investments be requested by the Fund's Auditors, the Fund will arrange for a qualified independent third party valuator to conduct a valuation. See **"Calculation of Net Asset Value"** and **"Description of the Securities Distributed - Class A Shares and Class A-R Shares - Redemption by Holders"**.

Investors who invested into the Fund in 2002 or earlier are eligible to roll their original investment back into the Fund and receive a second 15% Federal tax credit and a second 20% Saskatchewan tax credit. However, where such original investment was held in an RRSP, such investors will not be entitled to claim a second RRSP deduction when rolling their original investment back into the Fund. See **"Prospectus Summary - Benefits and Eligibility for Investment"** and **"Income Tax Considerations - Tax Credits Available to First Purchasers of Class A Shares and Class A-R Shares"**. Alternatively, an investor who invested into the Fund in 2002 or earlier may request the Fund to redeem all or some portion of such Subscriber Shares so acquired in 2002 or earlier, which redemption will not be subject to the withholding fee and Early Redemption Fee. See **"Redemption of Securities"**. The fiscal year of the Fund commencing September 1, 2008 was the first year in which investors could roll or redeem their original investment. As at October 31, 2011, 79.7% of those investors eligible to redeem their original investment chose to roll and/or retain their original investment back into the Fund. See **"Documents Incorporated by Reference - Annual Report"**.

The Fund is subject to meeting certain investment requirements under the Saskatchewan Act. See **"Investment Objectives, Investment Strategies" and "Use of Proceeds"**. The failure of the Fund to meet these investment requirements could result in a revocation of the Fund's registration under the Saskatchewan Act and penalties payable by the Fund to the Minister of Saskatchewan Industry and Resources (the **"Saskatchewan Minister"**) and the Receiver General of Canada (the **"Receiver General"**). See **"Other Material Facts - Penalties Potentially Applicable to the Fund"**.

In addition to the audited financial statements for the Fund, investors will receive, when they are available on an on-going basis, unaudited semi-annual statements; annual audited financial statements of the Fund and an annual and interim management report of fund performance, all as required under NI 81-106. See **"Documents Incorporated by Reference"**. Investors should read this prospectus and review the financial statements carefully before making an investment decision. Investors should consult with a professional advisor. See **"Risk Factors"**.

**Risk Factors:** The Subscriber Shares are highly speculative in nature. Subscribers may invest in Class A Shares, Class A-R Shares or in combination of both classes of Subscriber Shares. An investment in the Fund is appropriate only for investors who are prepared to retain their money in the Fund for a long period of time and who have the capacity to absorb a loss of some or all of their investment. There is no guarantee that an investment in the Fund will earn a regular rate of return. In addition to the tax benefits of investing in Subscriber Shares, prospective investors should fully assess the merits of the Fund and the Subscriber Shares.

Redemption of the Subscriber Shares is substantially restricted both by law and due to the fact that the obligation of the Fund to redeem the Subscriber Shares is based on the profitability and retained earnings of the Fund. Should a shareholder or shareholders holding a large block of Subscriber Shares seek redemption, any shareholder making a subsequent request may not be able to achieve immediate redemption. The subsequent request will remain in effect until withdrawn by the shareholder or subsequently fulfilled by the Fund. Further, a request for a large redemption may impact the price that is realized on the Fund's investment(s) and thereby adversely affect the net asset value of the Subscriber Shares. See **"Description of the Securities Distributed- Class A Shares and Class A-R Shares"** and **"Risk Factors - Lack of Liquidity"**.

Although the Fund is a mutual fund, some of the rules designed to protect investors who purchase securities of mutual funds do not apply to the Fund. In particular, compliance with rules directed at ensuring liquidity and diversification of investments and certain other investment restrictions and practices normally applicable to mutual funds do not apply. See **"Investment Objectives"** and **"Investment Strategies"**. The cost to determine the value of the Fund's assets for which no published market exists will be greater than valuation costs for mutual funds which invest primarily in listed securities. Consequently, the operating expenses of the Fund may be higher than those of many mutual funds and other pooled investment vehicles.

Prospective investors should carefully review the disclosure under the heading **"Risk Factors"**.

The Agent: MGI Securities Inc. acts as agent and principal distributor for the distribution of the Subscriber Shares commencing December 1, 2009 and during the currency of this prospectus. There is no direct sales charge to investors on the purchase of Subscriber Shares; however, the Fund will pay fees and costs to the Agent and Sub-Agents in connection with the sale of the Subscriber Shares. Up to and including November 30, 2009 Union Securities Ltd. was the agent and principal distributor for the distribution of the Subscriber Shares, and in that capacity the Former Agent will receive certain on-going trailer commissions. **See "Fees and Expenses - Fees and Expenses Payable by the Fund - Agent and Other Compensation" and "Purchase of Securities (Plan of Distribution) - Agency Agreement and Amended and Restated Agency Agreement"**.

Additional Information: Additional Information about the Fund is available in the following documents:

- (i) annual financial statements for the fiscal year ended August 31, 2011;
- (ii) any interim financial statements filed after the annual financial statements for the fiscal year ended August 31, 2011;
- (iii) the most recently filed annual management report of fund performance; and
- (iv) any interim management report of fund performance filed after that annual management report of fund performance.

These documents are incorporated by reference into this prospectus which means that they legally form part of this prospectus. **See "Documents Incorporated by Reference"** for further details.

Copies of these documents are available at your request, and at no cost by calling the Fund at 1-306-791-4833 or from your dealer. These documents are also available on the Fund's website at [www.saskworks.ca](http://www.saskworks.ca) or by contacting the Fund at [saskworks@saskworks.ca](mailto:saskworks@saskworks.ca). These documents and other information about the Fund are also available on the SEDAR website at <http://www.sedar.com>.

Certain words and phrases used in this prospectus, including capitalized terms, have the meanings assigned thereto in the **"Glossary of Certain Terms"**.

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## GLOSSARY OF CERTAIN TERMS

In addition to certain other terms defined elsewhere in this Prospectus, when used in this Prospectus, the following terms have the following meanings:

**"2012 Administrative Services Agreement"** means an administrative services agreement to be dated effective January 1, 2012 and entered into between the Fund and Conexus providing for payment of Base Commission and Additional Commission by Conexus to the Agent and Sub-Agents, selling Subscriber Shares relative to the 2012 calendar year. See **"Purchase of Securities (Plan of Distribution)"**.

**"Additional Commission"** means an additional commission of 1.0% of the gross proceeds raised in any fiscal year on the sale of Subscriber Shares and paid by Conexus to the Agent.

**"Administrative Services Agreements"** means collectively the administrative services agreements entered into between the Fund and Conexus on January 1st of each of the years 2004 to and including 2011 and including the 2012 Administration Services Agreement and providing for payment of Base Commission and Additional Commission by Conexus to the Former Agent and Agent, as applicable, relative to Subscriber Shares sold in the calendar years 2004 to and including 2012. See **"Purchase of Securities (Plan of Distribution)"**.

**"Administrative Services Fee"** means an annual administrative services fee of 0.875% of the gross proceeds raised in any calendar year on the sale of Subscriber Shares payable by the Fund to Conexus.

**"Affiliate"** has the meaning given that term in the Securities Act.

**"Agency Agreement"** means the agency agreement dated October 19, 2009 with the Agent. See **"Purchase of Securities (Plan of Distribution)"**.

**"Agent"** means MGI Securities Inc., and its successors.

**"Amended and Restated Agency Agreement"** means the amended and restated agency agreement with the Former Agent dated January 25, 2005 as further amended by Amendment No. 1 dated December 5, 2005, which agreement has been terminated effective November 30, 2009, save and except for the entitlement of the Former Agent or its Sub-Agents to be paid an annual Trailer Commission directly attributable to Subscriber Shares sold by the Former Agent or its Sub-Agents in prior fiscal years of the Fund. See **"Purchase of Securities (Plan of Distribution)"**.

**"Articles"** means the articles of incorporation of the Fund as amended and restated from time to time.

**"Auditors"** means MNP LLP, Chartered Accountants, Regina, Saskatchewan.

**"Audit/Valuation Committee"** means the audit/valuation committee of the Fund. See **"Calculation of Net Asset Value - Valuation Policies and Procedures of the Fund - Audit/Valuation Committee"**.

**"Base Commission"** means a commission of 6% calculated on the gross proceeds raised in any fiscal year paid by Conexus to the Agent and Sub-Agents selling Subscriber Shares.

**"Board"** means the board of directors of the Fund.

**"Capital Reserve"** means sufficient liquid investments maintained by the Fund to permit, in any fiscal year, redemptions in an amount equal to the lesser of 20% of the Fund's retained earnings or 50% of the Fund's net earnings after taxes in the immediately preceding fiscal year.

**"CICA"** means the Canadian Institute of Chartered Accountants.

**"Class A Shares"** means the Class A Shares of the Fund.

**"Class A-R Shares"** means the Class A-Resource Shares of the Fund.

**"Concentra Trust"** means Concentra Trust, a trust company incorporated pursuant to the *Trust and Loan Companies Act* (Canada).

"**Conexus**" means Conexus Credit Union 2006, a Saskatchewan credit union.

"**CRA**" means Canada Revenue Agency.

"**Custodial Agreement**" means an agreement dated January 25, 2001 between the Fund and CIBC Mellon Global Securities Services Company, the successor in interest to The Toronto-Dominion Bank. See "**Purchase of Securities (Plan of Distribution) - Custodial Agreement**".

"**Cut-Off Date**" means the last day for obtaining a Federal or Saskatchewan tax credit for the preceding year (usually March 1st, save for a leap year wherein the cut off date is February 29th).

"**Dissolution**" means the liquidation, dissolution or winding-up of the Fund, whether voluntary or involuntary, or any other distribution of the property and assets of the Fund for the purposes of winding-up its affairs.

"**Early Redemption Fee**" means an amount equal to 1% of the Redemption Amount for each year or part year remaining before the eighth anniversary of the date of issue of a particular Subscriber Share.

"**Eligible Investments**" means eligible investments for the Fund in eligible businesses, defined as taxable corporations or limited partnerships that carry on business in Saskatchewan, that together with related corporations or limited partnerships, do not have more than 500 employees in Saskatchewan, and that in the taxation year preceding the investment paid at least 25% of all their wages and salaries to employees of their permanent establishment in Saskatchewan.

"**Federal Act**" means the *Income Tax Act* (Canada), as amended from time to time.

"**Former Agent**" means Union Securities Ltd.

"**Fund**" means SaskWorks Venture Fund Inc., a Saskatchewan corporation registered as a labour-sponsored venture capital corporation under the Saskatchewan Act.

"**GAAP**" means the generally accepted accounting principles recommended by the Canadian Institute of Chartered Accountants as set forth, at the relevant time, in the "CICA Handbook".

"**Governance and Nominating Committee**" means the governance and nominating committee of the Fund. See "**Organization and Management Details of the Fund - Management of the Fund - Governance and Nominating Committee**".

"**Investment Committee**" means the investment committee of the Fund. See "**Investment Strategies - Investment Approval and Review Process**".

"**IPA**" means an incentive participation amount equal to 20% of any return derived from an Eligible Investment of the Fund from capital raised through the issuance of Subscriber Shares.

"**IRC**" means the independent review committee of the Fund.

"**Management Agreement**" means the amended and restated management agreement dated April 20, 2011 and entered into between the Manager and the Fund, as amended and restated from time to time. See "**Organization and Management Details of the Fund - The Manager**".

"**Manager**" means PFM Venture Capital Operations Inc., a Saskatchewan corporation.

"**Net Asset Value**" means the net asset value of the Fund calculated in accordance with GAAP and the value used for the purpose of issuance and redemption of the Subscriber Shares.

"**Net Asset Value per Class A Share**" means the Net Asset Value per share attributable to the Class A Shares.

"**Net Asset Value per Class A-R Share**" means the Net Asset Value per share attributable to the Class A-R Shares.

"**Net Asset Value per Share**" means either the Net Asset Value per Class A Share or the Net Asset Value per Class A-R Share, as applicable.

"**NI 81-106**" means National Instrument 81-106 - *Investment Funds Continuous Disclosure*.

"**NI 81-107**" means National Instrument 81-107 - *Independent Review Committee for Investment Funds*.

"**Offering**" means the continuous offering of Subscriber Shares by the Fund pursuant to this Prospectus. See "**Prospectus Summary - Offering**".

"**Redemption Amount**" means an amount equal to the Net Asset Value per Share attributable to the applicable class of Subscriber Shares as at (i) the last Business Day of the week in which the Fund receives (or is deemed to have received) the request for redemption or, (ii) the Cut-Off Date when the Fund receives (or is deemed to have received) the request for redemption in February and March, plus any declared and unpaid dividends thereon.

"**Receiver General**" means the Receiver General of Canada.

"**RRIF**" means a registered retirement income fund, as defined in section 146.3(1) of the Federal Act.

"**RRSP**" means a registered retirement saving plan, as defined in section 146(1) of the Federal Act.

"**RRSP Agency Trust Agreement**" means the agreement dated February 6, 2001, entered into between the Manager, on behalf of the Fund, and Concentra Trust. See "**Purchase of Securities (Plan of Distribution) - RRSP Purchases**".

"**Saskatchewan Act**" means *The Labour-sponsored Venture Capital Corporations Act* (Saskatchewan), as amended from time to time.

"**Saskatchewan Regulations**" means the Labour-sponsored Venture Capital Corporations Regulations.

"**Saskatchewan Minister**" means the Minister of Saskatchewan Industry and Resources.

"**Saskatchewan Tax Act**" means *The Income Tax Act, 2000* (Saskatchewan), as amended from time to time.

"**Securities Act**" means *The Securities Act, 1988* (Saskatchewan), as amended from time to time.

"**SEDAR**" means the internet based system for electronic data archiving and retrieval maintained by or on behalf of Canadian securities regulators.

"**Services Agreement**" means a services agreement dated January 1, 2008 between the Fund and Prometa Fund Support Services Inc. See "**Shareholder Matters**" and "**Organization and Management Details of the Fund - Registrar and Transfer Agent**".

"**Sponsor**" means **SaskWorks Federation of Unions**, a federation currently comprised of certain Saskatchewan union locals of the Communications, Energy & Paperworkers' Union of Canada (Saskatchewan Area Council), a trade union as defined in *The Trade Union Act* (Saskatchewan).

"**Sponsorship Agreement**" means the sponsorship agreement dated December 1, 2009 entered into between the Fund and the Sponsor. See "**Organization and Management Details of the Fund - The Sponsor**".

"**Sub-Agents**" means registered dealers appointed from time to time by the Agent or Former Agent to sell Subscriber Shares.

"**Subscriber Shares**" means collectively the Class A Shares and the Class A-R Shares and "**Subscriber Share**" means individually a Class A Share or a Class A-R Share.

"**Tax Credit Trust Agreement**" means an agreement made effective December 29, 2000 between CIBC Mellon Global Securities Services Company, as successor in interest to The Toronto-Dominion Bank, as trustee, and the Government of Saskatchewan. See "**Use of Proceeds**".

"**TFSA**" means a tax free savings account, as introduced by the Government of Canada, which allows Canadians that are at least 18 years of age to contribute up to a maximum dollar limit per year (\$5,000 for 2011) into such account.

"**Trailer Commission**" means an on-going trailer commission equal to 0.5% per year for each fiscal year that an investor's investment is maintained within the Fund.

"**Transfer Agent**" means Prometa Fund Support Services Inc. and its successors.

"**Trust Monies**" means an amount equal to the tax credits paid by the Saskatchewan Government, being 20% of the capital raised by the sale and issuance of Subscriber Shares to Saskatchewan residents.

"**Weekly Valuation Update**" means the net asset valuation update of the Fund as at the close of business on Thursday of each week.

"\$" means Canadian dollars.

Words importing the singular number only include the plural and vice versa and words importing a gender, include all genders.

## **NOTICE REGARDING FORWARD-LOOKING STATEMENTS**

Certain of the statements made and information contained in the prospectus and in the documents incorporated by reference herein may contain "forward-looking information" within the meaning of the applicable securities laws, which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Fund, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties described under the heading "**Risk Factors**" in this prospectus. Forward-looking information is, in addition, based on various assumptions including, without limitation, the expectations and beliefs of management. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements.

When used in this prospectus or a document incorporated by reference herein, the words "anticipate", "believe", "estimate" and "expect" and similar expressions, as they relate to the Fund, are intended to identify forward-looking statements relating to the business and affairs of the Fund.

Forward-looking statements made in a document incorporated by reference in this prospectus are made as at the date of the original document and have not been updated except as expressly provided for in this prospectus.

Except as required under applicable securities laws, the Fund undertakes no obligation to publicly update or revise forward-looking statements, whether as a result of new information, future events or otherwise.

## **PROSPECTUS SUMMARY**

*The following is a summary of the principal features of the distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus or incorporated by reference in the prospectus.*

### **The Fund**

The Fund is a corporation incorporated under the laws of Saskatchewan and is registered as a labour-sponsored venture capital corporation under the Saskatchewan Act. **See "Overview of the Legal Structure of the Fund".**

### **The Offering**

Securities Offered: Subscriber Shares, consisting of Class A Shares and Class A-R Shares of the Fund.

Offering Price: Subscriber Shares are offered by the Fund on a continuous basis at a price equal to the Net Asset Value per Share attributable to the applicable class of Subscriber Shares as at the close of the end of the last Business Day of each week of each month in which the subscription for any Subscriber Shares is received by the Fund, except for those Subscriber Shares subscribed for subsequent to the last Weekly Valuation Update, but on or prior to the Cut-off Date, which will be issued for a purchase price equal to the Net Asset Value per Share as of the Cut-off Date. **See "Calculation of Net Asset Value – Net Asset Value of the Fund" and "Description of the Securities Distributed - Class A Shares and Class A-R Shares".**

Investors may invest all of their subscription in Class A Shares, in Class A-R Shares or in a combination of both classes of Subscriber Shares.

Minimum Investment: Minimum initial subscription - \$500  
Minimum subsequent subscription - \$100

The Fund may waive the minimum initial and subsequent subscription amounts to accommodate pre-authorized contribution plans and payroll deduction plans.

Maximum Offering: Pursuant to the Saskatchewan Act, the cumulative investment in Subscriber Shares, together with any other equity shares of the Fund, is limited to \$500 million. The Saskatchewan Act also limits the aggregate amount of the Subscriber Shares that can be issued in any one year to \$50 million.

### **Investment Strategy and Objectives**

The Fund is subject to certain investment restrictions under the Saskatchewan Act and applicable securities law. In general terms, eligible businesses are public or private companies or other entities that carry on business in Saskatchewan, that have less than 500 employees in Saskatchewan, and that paid at least 25% of all their wages and salaries to employees of their permanent establishment in Saskatchewan. The objective of the Fund is to realize long-term capital appreciation of its investments in eligible businesses. Pending such investments, the Fund invests its assets in high quality, short-term government and corporate debt obligations or such other investments permitted under the Saskatchewan Act.

Potential investments will be evaluated according to, among other things: stage of development; size; quality of management; social responsibility of the firm; the market potential of the products and services sold or distributed; the profit potential of the eligible business; and the opportunity for realization by the Fund of its investments.

The Fund will not invest more than 10% of the Net Asset Value attributable to the capital raised through the issuance of Subscriber Shares, in any one eligible business, and may not invest in an eligible business if the Fund and the eligible business are not at arm's length within the meaning of the Saskatchewan Act. From the net proceeds of the issuance of the Class A-R Shares:

- 80% will be invested in Saskatchewan eligible businesses in the energy, mining and related service sectors, rather than a broad cross-section of the economy as is the case with 75% of the net proceeds of the issuance of the Class A Shares; and
- 20% will be invested in government or investment grade securities, rather than 25% as is the case with the proceeds of the issuance of the Class A Shares.

Seventy-five percent of the net proceeds of the issuance of the Class A Shares will continue to be invested by the Fund in Saskatchewan eligible businesses. **"See "Investment Objectives" and "Investment Strategies".**

### **Use of Proceeds**

The Fund invests in small and medium sized eligible businesses in both rural and urban centers in Saskatchewan, with the objective of achieving long term capital appreciation. Under the Saskatchewan Act, Eligible Investments for the Fund are investments in eligible businesses, defined as taxable corporations or limited partnerships that carry on business in Saskatchewan, that together with related corporations or limited partnerships, do not have more than 500 employees in Saskatchewan, and that in the taxation year preceding the investment paid at least 25% of all their wages and salaries to employees of their permanent establishment in Saskatchewan.

Each separate class of Subscriber Shares has its own eligible venture investments that will be made using only the subscription proceeds raised through the issuance of that class of shares. While it is possible that each separate class of Subscriber Shares may invest in the same eligible venture investment, subject to the class of share's venture investment concentration limits, the venture investment made by each class of Subscriber Shares is recorded and held only within that class of shares. Any income or losses that are attributable to a particular venture investment are allocated only to the separate class of shares within which the venture investment is recorded. Costs and expenses of the Fund not specifically identifiable to either of the Class A Shares and the Class A-R Shares will be allocated, at the time the costs and expenses are incurred, on the basis of the relative share capital as a proportion of the total share capital of the Class A Shares and the Class A-R Shares as at the latest available Weekly Valuation Update.

The venture investment and share subscription activity of each class of Subscriber Shares will have a separate accounting such that the net assets attributable to each class of shares will be reflected in the financial statements. **See "Investment Objectives", "Investment Strategies", "Purchase of Securities (Plan of Distribution)" and "Use of Proceeds".**

## Risk Factors

An investment in the Fund is subject to a variety of risks, some of which are summarized as follows:

- (a) The Subscriber Shares are highly speculative in nature and are suitable only for investors able to make a long-term investment. There is no formal market, such as a stock exchange, through which Subscriber Shares may be sold, and none is expected to develop. There are certain restrictions on the transfer and redemption of Subscriber Shares. The Fund's ability to satisfy redemption requests on an ongoing basis will be influenced by a variety of factors, including the ability of the Fund to generate and retain liquid assets.
- (b) Investors in Subscriber Shares will be relying on the business judgment, expertise and integrity of the Board, officers of the Fund and the Manager. There is no assurance that suitable investments in Saskatchewan eligible businesses will be found. It is likely that some of the Fund's investments will not mature and generate expected returns.
- (c) The services of the directors and officers and the Manager are not exclusive to the Fund, and such persons may provide similar services to other parties, including other venture capital corporations. **See "Organization and Management Details of the Fund - Conflicts of Interest"**. Such conflicts could have adverse effects on the Fund.
- (d) Many of the rules normally applicable to mutual funds will not apply to the Fund. In particular, rules directed at ensuring liquidity and diversification of investments and certain other investment restrictions and practices normally applicable to mutual funds do not apply. The Fund may make investments in small and medium-sized businesses which will represent a larger percentage of equity than many other mutual funds would be permitted to take, and this may increase the risk per investment. The Fund may have its registration under the Saskatchewan Act revoked and be subject to penalties if it fails to meet the investment requirements under the Saskatchewan Act. If the Fund's registration under the Saskatchewan Act is revoked, investors may be ineligible for Federal and Saskatchewan tax credits.
- (e) Venture capital investment in Saskatchewan eligible businesses according to the investment restrictions and policies of the Fund requires a greater commitment to investment analysis than investments in most other securities. The values which the Fund puts on its investments may not reflect the amounts for which they can actually be sold. Particularly, the carrying value of the existing investments in eligible businesses represents, in certain instances, the unrealized gain of such investment and may not reflect the actual value for which such investment can be sold. In addition, the cost to determine the value of the Fund's assets for which no public market exists will be greater than valuation costs for mutual funds which invest primarily in listed securities. Consequently, the operating expenses of the Fund may be higher than those of many other mutual funds and other pooled investment vehicles.
- (f) Most of the Fund's investments are in small privately held companies. These investments are, on an ongoing basis, valued by the Manager of the Fund and reviewed annually, in the aggregate, by the Auditors. No independent valuation or assessment of these investments is conducted and the Agent has not done an independent review of any of those investments nor the value of those investments presented by the Fund. As many of the Fund's investments are in small privately held companies, there can be no assurance that the Fund will be able to recover any of its investment in any such company should such company fail.
- (g) Redemption of the Subscriber Shares is substantially restricted both by law and due to the fact that the obligation of the Fund to redeem the Subscriber Shares is based on the profitability and retained earnings of the Fund. In particular, with respect to redemption of Subscriber Shares:
  - (1) the Fund is prohibited by law from making redemptions in certain circumstances;
  - (2) the Fund may suspend redemptions for substantial periods of time in certain circumstances;
  - (3) the Fund, in any fiscal year and subject to certain exceptions, will not be required to redeem Subscriber Shares if, (i) the redemption would create a working capital deficiency for the Fund, (ii) the redemption would cause the Fund to be in default of its financial obligations under an arm's length loan agreement, (iii) the Fund is insolvent or would be rendered insolvent as a result of the redemption, or (iv) the total redemptions in the fiscal year would exceed either 20% of the Fund's retained earnings or 50% of the Fund's net earnings after taxes for the previous fiscal year; and
  - (4) should a shareholder or shareholders holding a large block of Subscriber shares seek redemption, any Subscriber shareholder making a subsequent request may not be able to achieve immediate redemption. Further, a request for a large redemption may impact the price that is realized on the Fund's investment(s) and thereby adversely affect the Net Asset Value of the Subscriber Shares.

- (h) The Fund only invests in Saskatchewan eligible businesses and any concentration of investment in this manner may result in the value of the Fund fluctuating to a greater degree than if the Fund invested in a broader geographical diversification of businesses. Further, if any changes or amendments were to occur to federal or provincial legislation which adversely affects the tax credits available to labour-sponsored corporations, then the Fund's ability to attract on-going investment could be impaired. If the availability of capital was reduced the Fund's ability to fulfill its investment objectives would be affected.

Investors should consult with a professional advisor. See "**Risk Factors**".

### **Benefits and Eligibility for Investment**

Individual Saskatchewan residents (other than trusts) who are the first persons to be the registered holder of Subscriber Shares will be eligible for (i) a Federal labour-sponsored fund non-refundable tax credit in an amount equal to 15% of the individual's net cost of the Subscriber Shares to a maximum of \$750 per year (which is reached at an investment of \$5,000); and (ii) a 20% Saskatchewan labour-sponsored fund non-refundable tax credit to a maximum of \$1,000 per year (which is reached at an investment of \$5,000). An individual (other than a trust) who is an annuitant under a RRSP or the spouse or common law partner of the annuitant under a spousal RRSP will be entitled to the Federal tax credit in respect of the purchase of Subscriber Shares by the RRSP. An individual Saskatchewan resident (other than a trust) who makes contributions to a RRSP of which the individual or his or her spouse or common law partner is the annuitant will also be eligible for the Saskatchewan tax credit, provided the RRSP is the first purchaser of the Subscriber Shares and those contributions can reasonably be considered to have been used by the RRSP to acquire or subscribe for the Subscriber Shares. Investors who purchase Subscriber Shares in the first 60 days of any year during the currency of this prospectus, on or prior to the Cut-off Date, may elect to have their Federal and Saskatchewan tax credits apply in respect of the preceding taxation year instead of the current taxation year.

The Subscriber Shares are generally qualified investments for RRSPs and RRIFs provided the holder owns or has rights to acquire, directly or indirectly, less than 10% of the issued shares of any class of the Fund and further provided that the Fund is registered as a labour-sponsored venture capital corporation under the Saskatchewan Act. In determining whether this 10% limit is exceeded, the holder may be deemed to own shares held by non-arm's length persons, within the meaning of the Federal Act, and certain other entities. Pursuant to the Saskatchewan Act, Subscriber Shares may be purchased by individuals and transferred to trusts governed by RRSPs or RRIFs and Subscriber Shares may be purchased directly by an individual's RRSP. Where the Subscriber shares are purchased by an individual and transferred to a trust governed by a RRIF, the tax credits will also generally be available to the contributor to the RRIF. A trust governed by a RRIF cannot subscribe for Subscriber Shares directly. See "**Income Tax Considerations**" and "**Description of the Securities Distributed - Class A Shares & Class A-R Shares - Transfer**". The maximum tax credits are aggregate limits applicable to the purchase of shares of prescribed and registered labour-sponsored venture capital corporations, including the Fund. If in the opinion of the Saskatchewan Minister responsible for labour-sponsored corporations, the number of corporations registered is sufficient to take up the maximum annual tax credits available, the Saskatchewan Minister may suspend the allowance of tax credits or allocate the tax credits amongst the registered labour-sponsored corporations.

Investors who invested into the Fund in 2003 or earlier are eligible to roll their original investment back into the Fund and receive a second 15% Federal tax credit and a second 20% Saskatchewan tax credit. However, where such original investment was held in an RRSP, such investors will not be entitled to claim a second RRSP deduction when rolling their original investment back into the Fund. See "**Income Tax Considerations - Tax Credits Available to First Purchasers of Class A Shares and Class A-R Shares**". Alternatively, an investor who invested into the Fund in 2003 or earlier may request the Fund to redeem all or some portion of such Subscriber Shares so acquired in 2003 or earlier, which redemption will not be subject to the withholding fee and Early Redemption Fee. See "**Redemption of Securities**". The fiscal year of the Fund commencing September 1, 2008 was the first year in which investors could roll or redeem their original investment. As at October 31, 2011, 79.7% of those investors eligible to redeem their original investment chose to roll and/or retain their original investment back into the Fund. See "**Documents Incorporated by Reference - Annual Report**".

While Subscriber Shares can, provided certain conditions are met, be qualified investments for a TFSA, under the Saskatchewan Act the Fund cannot issue Subscriber Shares to TFSAs and Subscriber Shares cannot be transferred by an individual to a TFSA. Unless and until amendments are made to the Saskatchewan Act, Subscriber Shares may not be purchased by or transferred to TFSAs.

The following table illustrates the net after-tax cash outlay resulting from a \$5,000 investment in Subscriber Shares subscribed for by a Saskatchewan resident and who transfers such shares to a RRSP in or for the year 2011.

Taxable Income Level (1)  
2011

|  |             |             |             |             |             |
|--|-------------|-------------|-------------|-------------|-------------|
| Taxable Income From <sup>(1)</sup>     | 40,919      | 41,545      | 83,089      | 116,912     | 128,801     |
| Taxable Income To <sup>(1)</sup>       | 41,544      | 83,088      | 116,911     | 128,800     | & over      |
| RRSP Contribution <sup>(2)</sup>       | \$5,000     | \$5,000     | \$5,000     | \$5,000     | \$5,000     |
| Marginal Rate <sup>(3)</sup>           | 33          | 35%         | 39%         | 41%         | 44%         |
| Tax Refund <sup>(4)</sup>              | \$1,650     | \$1,750     | \$1,950     | \$2,050     | \$2,200     |
| Federal Tax Credit <sup>(5)</sup>      | 15%/\$5,000 | 15%/\$5,000 | 15%/\$5,000 | 15%/\$5,000 | 15%/\$5,000 |
| Saskatchewan Tax Credit <sup>(5)</sup> | 20%/\$5,000 | 20%/\$5,000 | 20%/\$5,000 | 20%/\$5,000 | 20%/\$5,000 |
| Total Tax Credits                      | \$1,750     | \$1,750     | \$1,750     | \$1,750     | \$1,750     |
| Total Tax Savings                      | \$3,400     | \$3,500     | \$3,700     | \$3,800     | \$3,950     |
| Net Cash Outlay after Tax Savings      | \$1,600     | \$1,500     | \$1,300     | \$1,200     | \$1,050     |

Notes:

- (1) Taxable income has been calculated as gross income less income tax deductions allowed by law in Saskatchewan. As of 2001, the federal and provincial tax brackets no longer coincide. The taxable income levels used are therefore approximate.
- (2) The RRSP contribution assumes that the investor is within his or her contribution limit.
- (3) The income tax rates are based on the Federal and Saskatchewan income tax legislation in effect as at December 31, 2010 and are the marginal tax rates for income, other than capital gains and dividend income, for individuals resident in Saskatchewan.
- (4) RRSP savings result from RRSP deductions reducing taxable income and are calculated at the marginal income tax rates. RRSP tax savings are not unique to a labour-sponsored venture capital corporation, and are available on any RRSP Eligible Investment, provided the investment is within contribution limits. Income tax is payable on the withdrawal of funds from RRSPs.
- (5) The Federal and Saskatchewan tax credits are generally available provided that the Subscriber Shares are not redeemed within eight years from the date of purchase and the investor has tax otherwise payable against which to offset the tax credits. Maximum tax credits apply in respect of all purchases of shares of prescribed and registered labour-sponsored venture capital corporations.

### Class A Share and Class A-R Share Attributes

#### *Dividends and Voting*

Holders of Subscriber Shares will be entitled to receive dividends, out of monies legally available for dividends for the respective share class, at the discretion of the Board. See "**Distribution Policy**".

Each shareholder will be entitled to one vote per Subscriber Share held at all meetings of shareholders of the Fund.

The Board of the Fund is comprised of nine (9) directors, five (5) of whom are elected by the Sponsor (as holder of the Class B Shares) and four (4) of whom are elected by the holders of Subscriber Shares. Pat Field, a director elected by the Sponsor resigned effective August 10, 2011 and in accordance with *The Business Corporations Act* (Saskatchewan), effective October 20, 2011 the Board elected David Meyers as a director to fill the vacancy created by the resignation of Pat Field for the remainder of the vacated term which expires December of 2012. At the annual general meeting of the shareholders of the Fund held on December 16, 2011, the Sponsor, as the holder of the Class B Shares, resolved to re-elect Bryan Glazer, whose term expired in December 2011 for a further one year term expiring December of 2012. The holders of Subscriber Shares have the right, at a duly constituted meeting called for such purpose, to elect a minority number of the total number of directors to be elected to the Board of the Fund which, as the Board is presently constituted, means the right to elect four (4) directors (the balance of the directors being elected by the Sponsor). At the December 16, 2011 annual general meeting of the shareholders of the Fund, the holders of the Subscriber Shares resolved to elect Brent Banda to replace Wayne Steadman whose terms expired in December 2011. Mr. Banda has been elected for a term of three years expiring in December of 2014. Holders of Subscriber Shares have no right to elect, remove, or replace directors elected by the Sponsor, being a majority of the directors. See "**Description of the Securities Distributed - Class A Shares and Class A-R Shares - Election of Directors**".

### *Permitted Transfer*

An individual holder of Subscriber Shares who received a Federal or Saskatchewan tax credit in connection with the purchase of Subscriber Shares may transfer their Subscriber Shares to a RRSP or RRIF under which the individual or his or her spouse or common law partner is the annuitant. Subscriber Shares may not be transferred to TFSAs.

### *Transfer*

Subscriber Shares may also be transferred to other eligible investors or otherwise as may be permitted under the Saskatchewan Act and other applicable securities law. All other transfers of Subscriber Shares must receive the prior approval of the Board. See "**Purchase of Securities (Plan of Distribution)**" and "**Income Tax Considerations**".

Subscriber Shares may not be transferred to TFSAs.

### *Redemption*

**Redemption of the Subscriber Shares is restricted both by law and due to the fact that the obligation of the Fund to redeem the Subscriber Shares is based on the profitability and retained earnings of the Fund attributable to the class of Subscriber Shares for which redemption is requested.** In particular, in any fiscal year the Fund will not be required to redeem any Subscriber Shares if:

- (1) the redemption would create a working capital deficiency for the Fund in the class of Subscriber Shares for which redemption is requested;
- (2) the redemption would cause the Fund to be in default of its financial obligations under an arm's length loan agreement; or
- (3) the Fund is insolvent or would be rendered insolvent as a result of the redemption.

Further, the Fund will not be required to redeem Subscriber Shares if the total redemptions in the fiscal year would exceed either 20% of the Fund's retained earnings or 50% of the Fund's net earnings after taxes for the previous fiscal year in the class of Subscriber Shares for which redemption is requested.

Subject to applicable law, under the Saskatchewan Act these restrictions will not apply if the original holder of Subscriber Shares being redeemed has died, or if the investment is held by a RRSP or a RRIF and the sole beneficiary of the plan or the fund is deceased. The Fund's fiscal year end is August 31. See "**Purchase of Securities - Class A Shares & Class A-R Shares**".

Subject to the above restrictions, Subscriber Shares may be redeemed in the following circumstances. A holder of Subscriber Shares may require the Fund to redeem some or all of the holder's Subscriber Shares if the redemption occurs more than eight years after the date of issue of the Subscriber Shares being redeemed. The Fund shall maintain a Capital Reserve in each class of the Subscriber Shares which shall be invested in cash or high quality government and corporate debt obligations. Subscriber Shares may also be redeemed by the Fund upon request from the holder prior to the expiry of the eight year holding period, but only if an amount equal to the Federal tax credit and Saskatchewan tax credit, if any, on such shares is withheld from the redemption proceeds and paid to the Receiver General and the Saskatchewan Minister, respectively. See "**Prospectus Summary - Benefits and Eligibility for Investment**" and "**Income Tax Considerations**". The legal representative of a holder of Subscriber Shares may require the Fund to redeem the holder's Subscriber Shares without withholding of the tax credit amounts if the holder has died.

Subject to the withholding of any tax credits or other amount required to be held as described above and the deduction of the Early Redemption Fee, Subscriber Shares will be redeemed at the Redemption Amount.

Investors who invested into the Fund in 2003 or earlier are eligible to roll their original investment back into the Fund and receive a second 15% Federal tax credit and a second 20% Saskatchewan tax credit. However, where such original investment was held in an RRSP, such investors will not be entitled to claim a second RRSP deduction when rolling their original investment back into the Fund. See "**Income Tax Considerations - Tax Credits Available to First Purchasers of Class A Shares and Class A-R Shares**". Alternatively, an investor who invested into the Fund in 2003 or earlier may request the Fund to redeem all or some portion of such Subscriber Shares so acquired in 2003 or earlier, which redemption will not be subject to the withholding fee and Early Redemption Fee. See "**Redemption of Securities**". The fiscal year of

the Fund commencing September 1, 2008 was the first year in which investors could roll or redeem their original investment. As at October 31, 2011, 79.7% of those investors eligible to redeem their original investment chose to roll and/or retain their original investment back into the Fund. **See "Documents Incorporated by Reference - Annual Report"**.

### ***Early Redemption Fee***

Holders of Subscriber Shares who request to redeem such shares before the eighth anniversary of the date of issue will be charged an Early Redemption Fee. There is no Early Redemption Fee where the redemption occurs following the death of the original holder of the Subscriber Shares or after the eighth anniversary of the date of issue of the Subscriber Shares.

### ***Dissolution***

On Dissolution, subject to the rights of the holders of Class C Shares, if any, and after the return of an amount equal to the stated capital of the Class B Shares to the holder of the outstanding Class B Shares, the holders of Class A Shares will be entitled to share equally, share for share, in the liquidation of all of the assets of the Fund remaining after payment of all liabilities of the Fund to the extent of the Net Asset Value of the Fund attributable to the capital raised through the issuance of Class A Shares and, as a result of investing the proceeds of the issuance of Class A Shares in investee businesses and the holders of the Class A-R Shares shall be entitled to share equally, share for share, in the liquidation of all of the assets of the Fund remaining after payment of all liabilities of the Fund to the extent of the Net Asset Value of the Fund attributable to the capital raised through the issuance of Class A-R Shares of the Fund and as a result of investing the proceeds of the issuance of Class A-R Shares in investee businesses.

### **Organization and Management of the Fund**

The following is a general description of the organization and management of the Fund:

| <b>Position</b>            | <b>Name</b>                                    | <b>Location</b>  | <b>Services Provided/Relationship with Fund</b>   |
|----------------------------|--|--|---|
| Manager                    | PFM Venture Capital Operations Inc.            | 1925 Victoria Avenue,<br>2nd Floor<br>Regina, SK S4P 0R3 | The Manager manages the overall business and operations of the Fund, including providing investment advice regarding the investment portfolio of the Fund. In addition the Manager is the portfolio manager of the Fund |
| Sponsor                    | SaskWorks Federation of Unions                 | 111, 2709 12th Avenue<br>Regina, SK S4T 1J3              | The Sponsor is the sole holder of Class B Shares and is entitled to nominate and elect a majority of the Board  |
| Custodian                  | CIBC Mellon Global Securities Services Company | 320 Bay Street<br>P.O. Box 1<br>Toronto, ON M5H 4A6      | The Custodian holds the portfolio securities of the Fund in safekeeping for the Fund  |
| Registrar & Transfer Agent | Prometa Fund Support Services Inc.             | 501-211 Bannatyne Avenue<br>Winnipeg, MB R3B 3P2         | The Registrar & Transfer Agent provides shareholder services to the Fund including maintaining the shareholder register of the Fund   |
| Auditor                    | MNP LLP, Chartered Accountants                 | 900 - 2010 11th Avenue<br>Regina, SK S4P 0J3             | The Auditor acts as the auditor of the Fund   |

### **Promoters**

The Manager and the Sponsor may be regarded as a promoter of the Fund. Neither of these promoters receives any remuneration or other thing of value in consideration for being a promoter of the Fund. The Sponsor, in its capacity as such, has received 10 Class B Shares of the Fund, being all of the issued and outstanding Class B Shares of the Fund. **See "Organization and Management Details of the Fund - The Sponsor"**. The Manager receives remuneration in consideration for acting in the capacity as Manager to the Fund. The Manager has agreed to advance to the Fund monies to pay for certain of the costs and expenses of the Fund. The Manager does not hold any securities of the Fund. **See "Organization and Management Details of the Fund - The Manager" and "Fees and Expenses - Fees and Expenses Payable by the Fund - Management Fees and Expenses"**.

## The Agent and Former Agent

Pursuant to the Agency Agreement, the Agent acts as agent and principal distributor for the distribution of the Subscriber Shares as and from December 1, 2009 and during the currency of this prospectus. The services provided by the Agent to the Fund include, but are not limited to, acting as principal distributor and agent for the sale of Subscriber Shares to eligible Saskatchewan investors, marketing analysis, administration of RRSPs and the appointment of Sub-Agents.

The Agent and Sub-Agents selling Subscriber Shares are entitled to a Base Commission. As remuneration for the services provided by the Agent to the Fund as and from December 1, 2009 and during the currency of this prospectus, the Agent is entitled to the Additional Commission. The Fund has also agreed to pay to the Agent or Sub-Agents selling Subscriber Shares a Trailer Commission for each fiscal year that an investment, directly attributable to a sale by the Agent or Sub-Agents, is maintained within the Fund.

The Fund has paid the Agent a corporate finance fee of \$25,000 and \$10,000 for legal fees for 2012.

Up to and including November 30, 2009 the Former Agent was the agent and principal distributor for the distribution of the Subscriber Shares, which arrangement has been mutually terminated by the Fund and the Former Agent, save and except the entitlement of the Former Agent or its Sub-Agents, as applicable, to a Trailer Commission for each fiscal year that an investment, directly attributable to the sale by the Former Agent or its Sub-Agents, as applicable, is maintained within the Fund.

Up to and including January 31, 2004, the responsibility for payment of the Base Commission and Additional Commission was that of the Fund. Effective February 1, 2004 Conexus assumed this responsibility. Conexus is a Saskatchewan credit union that is at arm's length to the Fund. The arrangement between Conexus and the Fund relating to the payment of the Base Commission and Additional Commission is more particularly described in the Administration Services Agreements.

**See "Purchase of Securities (Plan of Distribution) - Agency Agreement, Amended and Restated Agency Agreement and Administrative Services Agreements" and "Fees and Expenses - Fees and Expenses Payable by the Fund - Agent and Other Compensation"**

## Summary of Fees and Expenses

This table lists the fees and expenses that an Investor may have to pay if it invests in the Fund. The Investor may have to pay some of these fees and expenses directly. The Fund may have to pay some of these fees and expenses, which will be required to be deducted from the gross revenues of the Fund:

### *Fees and Expenses Payable by the Fund:*

| Type of Fee                                   | Amount and Description   |
|---|--|
| Agent's Corporate Finance Fee                 | \$25,000 per annum   |
| Agent's Legal Fees                            | \$10,000 per annum   |
| Agent's Base Commission <sup>(1)</sup>        | 6% calculated on the gross proceeds raised in any fiscal year through the sale of Subscriber Shares. <b>See "Purchase of Securities (Plan of Distribution)" and "Fees and Expenses - Fees and Expenses Payable by the Fund - Agent and Other Compensation".</b>  |
| Agent's and Former Agent's Trailer Commission | 0.5% per year for each fiscal year that the investment is maintained within the Fund   |
| Agent's Additional Commission <sup>(1)</sup>  | 1.0% calculated on the gross proceeds raised in any fiscal year through the sale of Subscriber Shares. <b>See "Purchase of Securities (Plan of Distribution)" and "Fees and Expenses - Fees and Expenses Payable by the Fund - Agent and Other Compensation"</b> |
| Management Base Fee                           | 2.5% of the aggregate Net Asset Value of the Class A Shares and Class A-R Shares as at each valuation date   |
| IPA   | 20% of the return derived from an eligible venture investment of the Fund, from capital raised through the issuance of Class A Shares or   |

Class A-R shares, is accrued from the date of investment in eligible venture investments and the IPA associated with an eligible venture investment will be paid annually only upon realization of the eligible venture investment. See **"Fees and Expenses - Fees and Expenses Payable by the Fund - Management Fees & Expenses "**.

|                             |   |
|-----------------------------|---|
| Administrative Services Fee | 0.875% of the gross proceeds raised in any calendar year on the sale of Subscriber Shares   |
| Other Fees and Expenses     | All direct costs and expenses incurred in the operation of the Fund. See <b>"Fees and Expenses - Fees and Expenses Payable by the Fund"</b> |

## Notes:

- (1) Since February 1, 2004 the Agent's Base Commission and Additional Commission are no longer directly paid by the Fund. The Fund intends to invest sufficient money in Conexus on a non-interest bearing basis, from time to time, to enable it to pay the Base Commission and Additional Commission on behalf of the Fund. The aggregate investments made by the Fund in Conexus during each calendar year will be repaid by Conexus to the Fund in eight equal payments beginning on January 10 of the year immediately following such calendar year. See **"Purchase of Securities (Plan of Distribution) - Administrative Services Agreement"**.

***Fees and Expenses Payable by the Investor:***

| Type of Fee          | Amount and Description  |
|----------------------|---|
| Sales Charge         | Sales commissions and other fees and expenses are paid indirectly by Investors through the Fund and the Fund, directly or indirectly, pays such commissions, fees and costs, as applicable, out of the proceeds from the sale of Subscriber Shares. See <b>"Purchase of Securities (Plan of Distribution)"</b> and <b>"Fees and Expenses - Fees and Expenses Payable by the Fund - Agent and Other Compensation"</b> .  |
| Transfer Fee         | Nil   |
| RRSP Fee             | The Manager, on behalf of the Fund, has made arrangements with Concentra Trust, pursuant to which individual investors may establish a RRSP with Concentra Trust and have the RRSP purchase Subscriber Shares. Where the aggregate funds in a trust governing a RRSP or a RRIF are less than \$10,000 at the end of the eight year hold period for the initial subscription, a one-time administrative fee, payable at the end of the eight year hold period for the initial subscription, in the sum of \$35 plus GST (\$36.75 in total) will be charged by Concentra Trust for such transactions. These administration fees are subject to change on 60 days notice without prior approval of the participants. Investors may also have their own or their spouse's or common law partner's self-directed RRSP purchase Subscriber Shares. See <b>"Prospectus Summary - Benefits and Eligibility for Investment"</b> and <b>"Income Tax Considerations"</b> . |
| Early Redemption Fee | Holders of Subscriber Shares who request the Fund to redeem their shares before the eight year minimum holding period expires will be charged an Early Redemption Fee. There is no Early Redemption Fee where the redemption occurs following the death of the original holder of the Subscriber Shares or after the eighth anniversary of the date of issue of the Subscriber Shares. Early redemption before expiry of the eight year holding period may also result in repayment of both Federal and Saskatchewan tax credits, and is subject to a number of restrictions. See <b>"Income Tax Considerations"</b> and <b>"Description of the Securities Distributed - Class A Shares &amp; Class A-R Shares - Redemption by Holders"</b> .   |

### Annual Return and Management Expense Ratio:

The management expense ratio and annual returns of the Fund for the past five years are as follows:

#### Class A Shares

| Year | Annual Return <sup>(1)</sup> | Management Expense Ratio <sup>(2)</sup> | Adjusted Management Expense Ratio <sup>(3)</sup> |
|------|------------------------------|---|--|
| 2011 | 6.35%                        | 6.80%                                   | 4.56%  |
| 2010 | 4.34%                        | 6.79%                                   | 4.63%  |
| 2009 | 0.01%                        | 6.42%                                   | 4.88%  |
| 2008 | 19.82%                       | 10.76%                                  | 5.03%  |
| 2007 | 2.31%                        | 7.99%                                   | 5.24%  |

Notes:

- (1) The Annual Return of the Class A Shares is calculated based on the Net Asset Value per Class A Share.
- (2) The Management Expense Ratio of the Class A Shares has been calculated by aggregating all fees and expenses paid or payable by the Fund and attributable to the Class A Shares (including an estimated contingent IPA attributable to the Class A Shares and all Class A Share issue costs, but excluding commissions and brokerage fees on the purchase and sale of portfolio securities attributable to the capital raised through the issuance of Class A-R Shares) and is expressed as a percentage of the average net assets administered during the period.
- (3) The Adjusted Management Expense Ratio of the Class A Shares is the Management Expense Ratio of the Class A Shares excluding IPA attributable to the Class A Shares.

#### Class A-R Shares

| Year | Annual Return <sup>(1)</sup> | Management Expense Ratio <sup>(2)</sup> | Adjusted Management Expense Ratio <sup>(3)</sup> |
|------|------------------------------|---|--|
| 2011 | 10.96%                       | 8.06%                                   | 4.71%  |
| 2010 | 7.95%                        | 8.73%                                   | 4.85%  |
| 2009 | 3.23%                        | 7.89%                                   | 5.17%  |
| 2008 | 27.59%                       | 11.04%                                  | 5.52%  |
| 2007 | (1.59%)                      | 7.25%                                   | 5.88%  |

Notes:

- (1) The Annual Return of the Class A-R Shares is calculated based on the Net Asset Value per Class A-R Share.
- (2) The Management Expense Ratio of the Class A-R Shares has been calculated by aggregating all fees and expenses paid or payable by the Fund and attributable to the Class A-R Shares (including an estimated contingent IPA attributable to the Class A-R Shares and all Class A-R Share issue costs, but excluding commissions and brokerage fees on the purchase and sale of portfolio securities attributable to the capital raised through the issuance of Class A Shares) and is expressed as a percentage of the average net assets administered during the period.
- (3) The Adjusted Management Expense Ratio of the Class A-R Shares is the Management Expense Ratio of the Class A-R Shares excluding IPA attributable to the Class A-R Shares.

Because of the nature of the investments that the Fund intends to make, it is anticipated that the management expense ratio of the Class A Shares and of the Class A-R Shares will be higher than that of conventional mutual funds. **See "Fees and Expenses - Fees and Expenses Payable by the Fund - Operating Expenses and Management Fees and Expenses".**

### OVERVIEW OF THE LEGAL STRUCTURE OF THE FUND

The Fund was established to invest in Saskatchewan small and medium-sized eligible businesses. The Fund was incorporated under the laws of Saskatchewan by articles of incorporation dated September 1, 1999 under the name of Prairie Ventures Fund Inc. The Articles of the Fund were amended: (i) effective December 18, 2000 to change its corporate designation to Crown Ventures Fund Inc.; (ii) effective January 23, 2001 to reflect weekly net asset valuation calculations; (iii) effective March 16, 2005 to change the corporate designation of the Fund to SaskWorks Venture Fund Inc. and to create and provide for a first series of Class C Shares designated Class C-Series I; (iv) effective December 21, 2005 to create and provide for the Class A-Resource Shares and (v) effective December 21, 2006 to remove the restriction on the issuance of Class A-R Shares. Effective December 21, 2006 the Articles were restated and a Certificate of Restated Articles of Incorporation issued by the Director of Corporations (Saskatchewan).

The Fund received approval for registration as a labour-sponsored venture capital corporation under the Saskatchewan Act on February 1, 2001. Both the head office and registered office of the Fund are located at 1925 Victoria Avenue, 2nd Floor, Regina, Saskatchewan, S4P 0R3.

The Fund operates as a mutual fund under Saskatchewan securities legislation and makes investments in Saskatchewan eligible businesses, as defined in the Saskatchewan Act. In general terms, eligible businesses are public or private entities that carry on business in Saskatchewan, that have less than 500 employees in Saskatchewan, and that paid at least 25% of all their wages and salaries to employees of their permanent establishment in Saskatchewan in the taxation year preceding the investment. The objective of the Fund is to realize long-term capital appreciation of its investments in eligible businesses. Pending such investments, the Fund invests its assets in high quality government and corporate debt obligations or such other investments permitted under the Saskatchewan Act. **See "Investment Objectives" and "Investment Strategies"**.

### **INVESTMENT OBJECTIVES**

The Fund invests in small and medium-sized Saskatchewan eligible businesses, with the objective of achieving long term capital appreciation. In addition, the Fund may participate in investment groups and consortiums in situations where the investment opportunity involves a larger investment than the Fund is allowed or believes prudent to make by itself.

Under the Saskatchewan Act, Eligible Investments for the Fund are investments in eligible businesses, defined as taxable corporations or limited partnerships that carry on business in Saskatchewan, that together with related corporations or limited partnerships, do not have more than 500 employees in Saskatchewan, and that in the taxation year preceding the investment paid at least 25% of all their wages and salaries to employees of their permanent establishment in Saskatchewan. The Fund will not invest more than 10% of the Net Asset Value of the Fund attributable to capital raised through the issuance of Subscriber Shares in any one eligible business, and may not invest in an eligible business if the Fund and the eligible business are not at arm's length, within the meaning of the Saskatchewan Act. **See "Sectors and Investments - Investment Restrictions and Practices"**. In respect of any investment, the Fund will take into consideration any anticipated subsequent investment required in the future and anticipated follow-on or subsequent investment, either by way of debt or equity. Such a subsequent investment will typically be made only if the investee meets certain tests, such as timing and performance targets that were fixed at the date of the original investment in the eligible business.

### **INVESTMENT STRATEGIES**

The Fund will seek out Eligible Investments in both rural and urban centres throughout Saskatchewan.

Desirable investment opportunities for the Fund are businesses that provide an opportunity for a return on investment commensurate with the perceived risk. It is anticipated that investments will be in businesses which are at one of the following stages of development:

|                               |  |
|-------------------------------|--|
| Expansion Financing:          | Investments in businesses which require financing to expand sales, or to launch a new product or service.  |
| Management/Employee Buyouts:  | Investments where the proceeds of the financing are used to acquire control of a business that has significant expansion potential that can be realized by adding new management and capital.  |
| Restructuring or Turnarounds: | Investment in businesses which have the potential to succeed if additional investment is received and/or changes in management, staffing, operations or marketing strategies are made.   |
| Early-Stage Investments:      | In most cases early-stage investments will be in businesses which have been in operation for a period of time, but have not yet fully developed their product or service. Typically, funding will be required to address limitations or opportunities that have been identified subsequent to the initial business plan. |

Prospective Eligible Investments will be expected to demonstrate some or all of the following characteristics:

- a strong and experienced management team which is financially committed to and rewarded by the company's success;
- a strong competitive position as a result of superior technology, innovative products, comparative cost advantage, established market position, significant barriers to entry and/or dominant distribution in its market;
- with respect to expansion funding, a reasonable expectation of earnings growth based on past financial performance or a strong likelihood of new market success;
- with respect to start up or early stage funding, a sound business concept or plan which presents a convincing opportunity to establish a comparative business advantage in a growth market;
- with respect to term debt, a reasonable level of unencumbered and disposable net asset security coverage and good interest/principal coverage being generated from current cash flows;
- with respect to subordinated debt funding, a satisfactory level of current cash flow interest coverage with the likelihood for near term coverage improvement; and
- with respect to management buyout opportunities, a strong current cash flow position coupled with the opportunity for near term earnings improvement resulting from a competitively enhanced new business or operating environment.

The Fund will attempt to reduce overall risk by diversification of investments in various sectors within Saskatchewan as follows:

- Agricultural resources;
- Agricultural value added processing;
- Manufacturing;
- Oil and gas development;
- Industrial minerals;
- Forestry;
- Destination tourism;
- Information technology;
- Biotechnology; and
- Energy (including conventional and renewable energy) and Mining.

There is no guarantee that the Fund will invest in each of the foregoing sectors.

If the Fund does not invest at least 75% of the capital raised from the sale of Subscriber Shares in Eligible Investments within 24 months from the end of the fiscal year of the Fund in which those shares were issued, it may have its registration under the Saskatchewan Act revoked and become subject to penalties under the Saskatchewan Act and Federal Act. **See "Other Material Facts - Penalties Potentially Applicable to the Fund".**

### **Overview of the Investment Structure**

The particular form of the Fund's investments are selected and negotiated after taking into account the investment criteria and guidelines of the Fund, the long-term requirements of the investee business, the stage of development of the investee business, the investee business' requirements, the ability to negotiate down-side protection, and tax considerations. The Fund diversifies its investment portfolio through the use of such instruments, among others, as common shares, convertible debentures, convertible preferred shares, debt with equity participation, secured debt, funded loan guarantees and bridge loans.

Where the Fund makes an investment by way of a loan, such investment is expected to be secured by a charge over the investee business' assets but may be subordinated to other lenders' security. Preference will be given to convertible preferred shares with a dividend rate and/or conversion terms commensurate with the investment risk.

The Fund may guarantee loans of eligible businesses and in such circumstances the making of such loan would permit the growth and development of the business without the Fund being the primary investor. The aggregate of loan guarantees may not exceed 10% of the Fund's total assets at the time each loan guarantee is provided. The Fund intends to maintain a liquid reserve of 25% of the guaranteed amount on any loan guarantees. The Fund will maintain liquid reserves in high-quality government and corporate debt obligations.

To the extent possible, investments are diversified by the expected holding period of the investment. Generally, the average holding period is expected to be five to eight years. The Fund may choose to refinance its investment through an arm's length third party

where the expected return can be achieved in a shorter time frame. All investment recommendations will include a strategy for realization on investments made. Possible exit strategies include the following:

- refinancing with conventional lenders or leasing companies;
- sale of the business or investment to a third party;
- a public offering; and
- sale of the investment back to the business or its principals through exercise of a put or call contractual provision included within the equity securities arrangement.

### **Investment Approval and Review Process**

The Investment Committee, comprising individuals drawn from the Board, assists in the establishment of investment policies and guidelines and attends to the review and vetting of management investment recommendations. The Investment Committee has the authority to make final investment decisions for investments up to the lesser of: (i) \$5,000,000; and, (ii) 2.5% of the Net Asset Value of the Fund. With respect to larger investments, the Investment Committee reviews and screens investment recommendations made by the Manager prior to presentation to the Board for final approval.

The Manager has primary responsibility for the initial screening and recommendation of investments and for carrying out the operational and financial due diligence on selected investments. The Manager is responsible for the review of all potential investments and for ensuring that the potential investments meet the investment criteria of the Fund.

### **Screening Investments**

In carrying out its initial screening of prospective investments, the Manager investigates and considers the following with respect to each investee business:

- the particular industry, markets, products, services and technology;
- the competitive position;
- the experience of management personnel;
- the past performance and business plan;
- financial statements, projections and forecasts;
- the regulatory environment;
- the labour relations history;
- the current environmental situation;
- the expectation of generating new employment opportunities in Saskatchewan;
- opinions and information about the business and its prospects from consultants, customers, suppliers, bankers, and financial advisors;
- opinions of analysts and technical consultants, as may be required; and
- market surveys where applicable, including real estate and/or business appraisals.

Where it is considered advisable, the Manager will engage other professionals with particular expertise for assistance and advice with respect to investment opportunities.

If, following initial screening, the Manager determines that an investment opportunity is viable and a more detailed investigation is merited, it will generally enter into a confidentiality agreement and a non-binding memorandum of understanding with the applicant that sets out the Manager's requirements.

Upon the above being completed, the Manager will commence a comprehensive investigation of the proposed investment. This investigation and resulting report will include an assessment of risk, proposed structure of the investment, estimate of future investment requirements and expected return, and a review of the investee business against the initial screening criteria.

The Manager will normally prepare an investment memorandum for each investment recommended. The investment memorandum will be presented to the Investment Committee and if approved, the proposed investment will then be presented to the Board for final approval unless, due to the size of the investment, the Investment Committee has authority to grant final approval.

When necessary, the Board or Investment Committee will return the proposal to the Manager for further review and evaluation. Upon approval, a commitment will be given to the investee business and the necessary contracts will be executed in accordance with the proposed structure of the investment.

## **Investment Monitoring**

The Manager monitors each of the Fund's investments on a continual basis. The Manager or the Fund may require that a representative of it be appointed as a director or observer to the board or other governing body of an investee business. The Manager requires investee businesses to provide to it regular financial reports and detailed information concerning the investee business. In addition, the Manager meets regularly with management of the investee businesses and takes such other steps as are considered necessary to assess the progress of an investee business' product, service or technology development.

The Manager prepares, for review by the Board, an annual summary of each investment made by the Fund, which addresses the status of the investment performance against goals, compliance with terms or investment covenants, new factors of relevance and any other circumstances that may affect the value of the investment. The Audit/Valuation Committee of the Board reviews and approves a quarterly summary of each investment made by the Fund.

## **SECTORS AND INVESTMENTS**

### **Sectors**

From the net proceeds of the issuance of the Class A Shares, the Fund will invest:

- 75% in a range of businesses from a broad cross-section of the economy, which may include agriculture, manufacturing, oil and gas, industrial minerals, forestry, destination tourism, information technology, biotechnology and energy (including conventional and renewable energy), mining and related service sectors; and
- 25% in government or investment grade securities.

From the net proceeds of the issuance of the Class A-R Shares, the Fund will invest:

- 80% in Saskatchewan eligible businesses in the oil and gas, industrial minerals, energy (including conventional and renewable energy), mining and related service sectors; and
- 20% in government or investment grade securities.

Subject to the investment restrictions that the Fund will not invest more than 10% of the Net Asset Value of the Fund in any one eligible business, net proceeds from the issuance of Class A Shares could be invested in the same eligible business as net proceeds from the issuance of Class A-R Shares.

### **Summary of Eligible Investments**

As at As at October 31, 2011, the Fund had net assets of \$232,514,119 (October 31, 2010 - \$183,221,253) of which \$172,590,215 (October 31, 2010 - \$146,691,423) was attributable to the capital raised through the issuance of Class A Shares and \$59,923,904 (October 31, 2010 - \$36,529,830) was attributable to the capital raised through the issuance of Class A-R Shares. In addition, as at October 31, 2011 the Fund had a carrying value of existing eligible venture capital investments and committed eligible venture capital investments of \$126,248,687 (or 73.2% of the total net assets) attributable to the capital raised through the issuance of Class A Shares and \$27,267,975 (or 45.5% of the total net assets) attributable to the capital raised through the issuance of Class A-R Shares. As at October 31, 2011 unrealized appreciation on venture investments accounted for \$11,031,020 of the carrying value of existing investments, or 6.4% of the Fund's net assets attributable to the capital raised through the issuance of Class A Shares and \$9,619,513 of the carrying value of existing investments, or 16.1% of the Fund's net assets attributable to the capital raised through the issuance of Class A-R Shares.

The Fund believes it is currently in compliance with its investment strategies and objectives and with the investment criteria contained in the Saskatchewan Act.

### **Significant Holdings**

The following table contains information with respect to the investments of the Fund as of October 31, 2011 in investees in which the Fund holds more than 5% of a particular class of securities. The Fund has no control over any information disseminated by its investees (including information contained on the websites of its investees) and makes no representation or warranty about the accuracy or completeness of any such information.

Unless otherwise indicated in the following table, investments have been made by the Fund with the net proceeds raised through the issuance of Class A Shares.

| <b>Name and Address of Eligible Investments</b>   | <b>Nature of Principal Business</b>                       | <b>Percentage of Securities of each Class Owned by the Fund</b>   | <b>Percentage of Fund's Net Assets, Amount Invested and Committed at Cost</b>  |
|---|---|---|--|
| <b>AGCO AgVentures LP</b><br>1925 Victoria Avenue, 2nd Floor<br>Regina, SK S4P 0R3            | Investment in Saskatchewan agricultural lands             | Limited Partnership Units<br>97.56%   | 8.6%<br>\$20,000,000   |
| <b>Bulldog Oil &amp; Gas Inc.</b><br>101 -10th Street NW<br>Calgary, AB T2N 1V4               | Oil & Gas exploration and development                     | Common Shares<br>8.09%  | 1.2%<br>Class A-R Shares - \$2,700,000   |
| <b>Cathedral Village Limited Partnership</b><br>2230 Lorne Street<br>Regina, SK S4P 2M7       | Real Estate   | Limited Partnership Units/Debenture<br>Limited Partnership Units - 30.9%  | 0.3%<br>\$646,405  |
| <b>Cipher Energy Inc.</b><br>1200, 444 - 5th Avenue SW<br>Calgary, AB T2P 2T8                 | Oil & Gas exploration and development                     | Common Shares<br>8.43%  | 0%<br>\$42,148   |
| <b>Community Electric Ltd.</b><br>811A 58 <sup>th</sup> Street East<br>Saskatoon, SK S7K 6X5  | Electrical contractor and developer of automated controls | Convertible Preferred Shares/Debenture<br>Preferred Shares convertible into 10% to 20% of Common Shares<br>Subordinated Debenture | 0.7%<br>\$800,000<br>\$833,333   |
| <b>Crestline Coach Ltd.</b><br>807 57 <sup>th</sup> Street East<br>Saskatoon, SK S7K 5Z1      | Ambulance/Specialty Vehicle Manufacturer                  | Debenture/Convertible Preferred Shares<br>Subordinated Debenture<br>Preferred Shares convertible into 16% of Common Shares        | 0.9%<br>\$1,556,818<br>\$443,182   |
| <b>Crusader Drilling Corp.</b><br>5 -76th Avenue South<br>Yorkton, SK S3N 3V2                 | Oil & Gas Drilling  | Common Shares<br>37.30%<br>Subordinated Debenture   | 1.8%<br>Class A Shares - \$1,930,000<br>Class A-R Shares - \$1,032,500<br>Class A Shares - \$965,000<br>Class A-R Shares - \$220,000 |
| <b>Elgin Developments Limited Partnership</b><br>220 - 1911 Park Street<br>Regina, SK S4N 2G5 | Real Estate   | Limited Partnership Units/Debenture<br>Limited Partnership Units<br>25.81%  | 0.2%<br>\$400,000  |
| <b>Factory Optical Holdings Inc.</b><br>6 - 1731 Ross Avenue East<br>Regina, SK S4N 7K2       | Retail Optical Stores and Lens Fabrication                | Common Non-Voting Shares<br>8.49%   | 0.1%<br>\$322,795  |
| <b>Hi-Tec Profiles LP</b><br>2301 Industrial Drive<br>Regina, SK S0G 5K0                      | Manufacturing   | Limited Partnership Units<br>32.43%   | 2.8%<br>\$6,474,000  |

| Name and Address of Eligible Investments   | Nature of Principal Business   | Percentage of Securities of each Class Owned by the Fund  | Percentage of Fund's Net Assets, Amount Invested and Committed at Cost |
|--|--|---|--|
| <b>Hospitality Network Canada (2011) Inc.</b><br>1600 - 2002 Victoria Avenue<br>Regina, SK S4P 0R7   | Television and Internet Service provider to Hospitals and Care Homes     | Common Shares/Debenture<br>Common Shares - 70.86%<br>Subordinated Debenture                       | 5.9%<br>\$11,088,338<br>\$2,561,662                                    |
| <b>I.M. Wireless Communications Ltd.</b><br>1408 Broad Street<br>Regina, SK S4R 4K9                  | Wireless Communications  | Common Shares/Debenture<br>Common Shares - 28.30%<br>Subordinated Debenture                       | 1.6%<br>\$288,750<br>\$3,465,000                                       |
| <b>JCA Holdings Ltd.</b><br>2 Percival Drive<br>Emerald Park, SK S4L 1B7                             | Plumbing, Heating & Air Conditioning Provider & Servicer                 | Common Shares/Debenture<br>Common Shares - 33.33%<br>Subordinated Debenture                       | 0.7%<br>\$100,000<br>\$1,500,000                                       |
| <b>Keystone Royalty Corp.</b><br>1200, 1881 Scarth Street<br>Regina, SK S4P 4K9                      | Oil & Gas exploration and development                                    | Common Shares<br>6.35%  | 0.2%<br>\$451,410  |
| <b>Koenders Windmills Inc.</b><br>75 1st Avenue, Box 126<br>Englefeld, SK S0K 1N0                    | Manufacture of windmills for commercial water aeration                   | Common Shares/Debenture<br>Common Shares - 16.66%<br>Subordinated Debenture                       | 0.3%<br>\$25,000<br>\$750,000  |
| <b>Lazar Equipment Ltd.</b><br>520 9th Street West<br>Meadow Lake, SK S9X 1S8                        | Distributor of Agricultural, Construction and Yard Maintenance Equipment | Common Shares/Debenture<br>Common Shares - 55.56%<br>Subordinated Debenture                       | 0.7%<br>\$1,111,232<br>\$572,800                                       |
| <b>Lewvan Village Limited Partnership</b><br>2207 Smith Street<br>Regina, SK S4P 2P5                 | Real Estate  | Limited Partnership Units/Debenture<br>Limited Partnership Units 17.80%<br>Subordinated Debenture | 0.8%<br>\$924,300<br>\$888,750   |
| <b>Pines Power Sports Marine Ltd.</b><br>Highway 2 North, P.O. Box 1528<br>Prince Albert, SK S6V 5T1 | Distributor of Recreational Vehicles                                     | Common Shares/Debenture<br>Common Shares - 54.55%<br>Subordinated Debenture                       | 1.6%<br>\$300,000<br>\$3,500,000                                       |
| <b>Prairie Hog Production Limited Partnership</b><br>Box 610<br>Humboldt, SK S4P 3P1                 | Lease/purchase of hog barn operation with Big Sky Farms Inc.             | Lease/Purchase Agreement/Debenture<br>53%<br>Debenture  | 0.8%<br>\$1,747,500<br>\$112,808                                       |
|  |  |   |  |

| Name and Address of Eligible Investments   | Nature of Principal Business             | Percentage of Securities of each Class Owned by the Fund   | Percentage of Fund's Net Assets, Amount Invested and Committed at Cost                        |
|--|--|--|---|
| <b>Premium Spray Products Canada LP (formerly HTS Technical Services LP)</b><br>190 Hodsman Road<br>Regina, SK S4N 5X4 | Industrial Coatings and Foam Distributor | Convertible Limited Partnership Units/Debenture<br><br>Preferred Limited Partnership Units convertible into 39.1% to 29.1% of Common Limited Partnership Units<br><br>Subordinated Debenture | 1.2%<br><br>\$1,241,889<br><br>\$1,649,561  |
| <b>Pro Metal Industries Ltd.</b><br>455 Henderson Drive<br>Regina, SK S4N 5W8  | Custom and Specialized Steel Fabrication | Common Shares/Debenture<br><br>Common Shares - 50%<br><br>Subordinated Debenture   | 0.8%<br><br>\$833,340<br><br>\$1,000,000  |
| <b>Regina Asset Management Limited Partnership</b><br>P.O. Box 611 Station Main<br>Regina, SK S4P 3A3                  | Real Estate Investment                   | Limited Partnership Units<br><br>50%   | 0.6%<br><br>\$1,500,000   |
| <b>RegWin Hotel Limited Partnership</b><br>1700 Broad Street<br>Regina, SK S4P 1X5                                     | Own and operate a hotel                  | Limited Partnership Units/Debenture<br><br>Limited Partnership Units - 7%<br><br>Debenture   | 0.8%<br><br>\$212,363<br><br>\$1,698,900  |
| <b>Rotex Energy Ltd.</b><br>21 - 7895 49th Avenue<br>Red Deer, AB T4P 2B4  | Oil Field Waste Disposal                 | Common Shares/Convertible Debenture<br><br>Common Shares<br>7.79%<br><br>2.29%<br><br>Convertible Debenture  | 1.8%<br><br>Class A Shares - \$803,130<br><br>Class A-R Shares - \$235,986<br><br>\$3,117,347 |
| <b>Sky Harbour Developments LP</b>   | Real Estate                              | Limited Partnership Units/Debenture<br><br>Limited Partnership Units - 29.1%<br><br>Subordinated Debenture   | 2.4%<br><br>\$2,589,800<br><br>\$3,096,500  |
| <b>Sky View Apartment LP</b><br>2230 Lorne Street<br>Regina, SK S4P 2M7  | Real Estate                              | Limited Partnership Units<br>43.3%   | 0.6%<br>\$1,300,000   |
| <b>StorageVault Canada Inc.</b><br>P.O. Box 32062<br>Regina, SK S4N 7L2  | Self Storage                             | Common Shares/Preferred Convertible Shares<br><br>Common Shares - 29.55%<br><br>Preferred Shares - convertible at \$0.30 per share   | 2.0%<br><br>\$2,291,200<br><br>\$2,361,315  |
| <b>Sun Country Well Servicing</b><br>P.O. Box 447<br>Cochrane, AB T4C 1A6  | Oil & Gas servicing                      | Common Shares<br><br>10.50%  | 0.4%<br><br>Class A-R Shares - \$1,000,000  |
|  |  |  |   |

| Name and Address of Eligible Investments  | Nature of Principal Business               | Percentage of Securities of each Class Owned by the Fund   | Percentage of Fund's Net Assets, Amount Invested and Committed at Cost            |
|---|--|--|---|
| <b>Triwest Exploration Inc.</b><br>1520, 700 - 4th Avenue SW<br>Calgary, AB T2P 3J4                 | Oil & Gas exploration and development      | Common Shares<br>12.7%   | 21.7%<br>Class A Shares - \$1,650,000<br>Class A-R Shares - \$2,310,068           |
| <b>TriWestern Energy Corp.</b><br>#1206, 734 - 7th Avenue SW<br>Calgary, AB T2P 3P8                 | Oil & Gas exploration and development      | Common Share/Debenture<br>Common Shares<br>17.43%<br>3.54%<br>Debenture                          | 1.1%<br>Class A Shares - \$1,696,202<br>Class A-R Shares - \$344,849<br>\$425,219 |
| <b>Villanova Energy Corp.</b><br>1200, 1881 Scarth Street<br>Regina, SK S4P 4K9                     | Oil & Gas Exploration                      | Common Shares<br>4.26%<br>1.06%  | 1.3%<br>Class A Shares - \$2,459,902<br>Class A-R Shares - \$613,098              |
| <b>Visima Holdings Inc.</b><br>6 - 1731 Ross Avenue East<br>Regina, SK S4N 7K2                      | Retail Optical Stores and Lens Fabrication | Common/Convertible Preferred Shares/Debenture<br>Shares - 28.70%<br>Subordinated Debenture       | 1.3%<br>\$879,166<br>\$2,109,576  |
| <b>Westcon Equipment &amp; Rentals Ltd.</b><br>Highway #1 East<br>P.O. Box 89<br>Regina, SK S4P 3B1 | Construction & Heavy Equipment Rental      | Convertible Preferred Shares/Debenture<br>Convertible Preferred Shares<br>Subordinated Debenture | 1.1%<br>\$1,065,445<br>\$1,457,500  |

Other than BlackPearl Resources Inc., CanElson Drilling Inc., Crescent Point Energy Corporation, Just Energy Exchange Corp., NAL Oil & Gas Trust, PetroBakken Energy Ltd., StorageVault Canada Inc., Temple REIT, Torquay Oil Corp., Westfire Energy Inc. and Zargon Energy Trust (all TSX-V Exchange) none of the common shares set forth above are listed on a stock exchange or over-the-counter market and the securities are subject to restrictions on resale. For the purposes of determining the Net Asset Value of the Fund, the common shares will be valued as described below in the section "**Calculation of Net Asset Value**" and in accordance with applicable law.

### Investment Restrictions and Practices

Pursuant to the Saskatchewan Act, the Fund must invest a significant portion of its capital in Eligible Investments, as described above under "**Investment Objectives**". Under section 9 of the Saskatchewan Act, the Saskatchewan Minister has prescribed a policy that for the 24 month period following the end of the fiscal year in which Subscriber Shares are issued, the Fund must invest at least 75% of the capital raised through such issuance in any combination of equity shares of eligible businesses, liquid reserves or in any other type of investment authorized by the Saskatchewan Regulations. The Fund's fiscal year end is August 31. As at the end of such 24 month period, and for the period that follows, the Fund will maintain at least 75% of its capital in investment instruments issued by eligible businesses. Pending such investments being made, the proceeds of this Offering will be held in cash or invested in high-quality government and corporate debt obligations or other investments permitted under the Saskatchewan Act. The Fund will not invest more than 10% of the Net Asset Value of the Fund attributable to the capital raised through the issuance of Subscriber Shares, taken at fair value at the time of such investment, in any one eligible business, or in any combination of an eligible business and one or more corporations that are not dealing at arm's length with the eligible business. The Fund invests 80% of the capital raised through the issuance of Class A-R Shares in Saskatchewan eligible businesses in the energy, mining and related sectors.

As required by the Saskatchewan Act, Trust Monies must be set aside in a trust fund until the Fund has invested 55% of the capital raised from the sale of Subscriber Shares, during the applicable fiscal period, into eligible businesses and is otherwise in compliance with the Saskatchewan Act. The Trust Monies must remain in trust until such time as the Fund has satisfied the investment criteria noted above with respect to 55% of the capital raised by the sale and issuance of Subscriber Shares during the applicable fiscal period. Pending release, the Trust Monies are invested in high quality government and corporate debt obligations or such other investments permitted under the Saskatchewan Act. Once 55% of the capital raised (as aforesaid) has been invested by the Fund into eligible businesses then, subject to receipt of written instructions from Saskatchewan Industry and Resources and the Fund authorizing release of the Trust Monies, the applicable Trust Monies will be released from trust and invested in eligible businesses. **See "Use of Proceeds"**.

The Fund is prohibited by the Saskatchewan Act from using any of its Net Asset Value to:

- (a) provide loans, guarantees or other financial assistance to any shareholder of the Fund, or any person related to a shareholder of the Fund; or
- (b) invest in an eligible business that has provided financial assistance to a shareholder of the Fund by means of a loan, guarantee, provision of security, or any other financial assistance.

Failure of the Fund to meet the investment and timing requirements noted above could result in a revocation of the Fund's registration under the Saskatchewan Act and tax credit penalties being imposed on the Fund. **See "Other Material Facts - Penalties Potentially Applicable to the Fund"**.

### **Exemptions and Policies**

Although the Fund is a mutual fund, it is not subject to a variety of securities regulatory policies and restrictions which otherwise govern a public mutual fund. In this respect, certain of the policies applicable to the incorporation and capitalization of mutual funds, the frequency of determining net asset value and suspensions of redemptions do not apply. In addition, the Saskatchewan Financial Services Commission has granted the Fund exemption from, or has allowed variation in respect of, certain of the standard investment restrictions and practices that are otherwise applicable to mutual funds. The exemptions or variations from the standard investment restrictions and practices, as approved by the Saskatchewan Financial Services Commission, are as follows:

- (a) Typically a mutual fund is not, without the prior approval of the securities regulatory authorities, allowed to purchase the securities of an issuer (except for the securities of designated governments or agencies thereof) if, as a result, the mutual fund would hold more than 10% of any class or series of a class of securities of such issuer. The Fund has been granted exemption from this restriction;
- (b) Typically a mutual fund is not, without the prior approval of the securities regulatory authorities, allowed to purchase mortgages other than permitted mortgages (meaning mortgages guaranteed or insured by the Government of Canada or by the government of any province of Canada, or agencies thereof). The Fund has been granted exemption from this restriction;
- (c) Typically a mutual fund is not, without the prior approval of the securities regulatory authorities, allowed to purchase permitted mortgages (meaning mortgages guaranteed or insured by the Government of Canada or by the Government of any Province of Canada, or agencies thereof) if following such purchase more than 10% of the total assets of the mutual fund would consist of permitted mortgages. The Fund has been granted variation of this restriction as applicable to the Fund so as to permit it to purchase permitted mortgages provided that no more than 25% of the total assets of the Fund, at any one time, consist of investments in permitted mortgages;
- (d) Typically a mutual fund is not, without the prior approval of the securities regulatory authorities, allowed to purchase securities for the purpose of exercising control or management over the issuer of the securities. The Fund has been granted exemption from this restriction;
- (e) Typically a mutual fund is not, without the prior approval of the securities regulatory authorities, allowed to purchase any security of an issuer which may, by its terms of purchase, require the mutual fund to make a contribution in addition to the payment of the purchase price for that security. The Fund has been granted exemption from this restriction, provided that if the Fund agrees to make additional investments in an eligible business (in addition to the initial investment) then such additional investment would typically be made provided that certain performance targets have been met by the business within certain contemplated time frames, and provided that the total amount of additional investment, the performance targets and the time frames within which the performance targets must be met have been fixed at the date of the original investment in the business. Additional investments are not limited to a further single advance but could consist of subsequent multiple advances;

- (f) Typically a mutual fund is not, without the prior approval of the securities regulatory authorities, allowed to guarantee the securities or obligations of any other person or corporation. The Fund has been granted modification of this restriction as it is applicable to the Fund, such that the Fund is permitted to provide guarantees in an aggregate amount not exceeding 10% of the Net Asset Value of the Fund, from time to time, provided that the Fund maintains reserves equal to 25% of the principal amount of the obligations guaranteed by the Fund; and
- (g) Typically a mutual fund is not, without the prior approval of the securities regulatory authorities, allowed to invest more than 10% of its net assets in illiquid investments. The Fund has been granted exemption from this restriction on the condition that the Fund at all times maintains a reserve fund of liquid investments which will enable the Fund to make any redemptions that it could be required to make in any fiscal period, as a result of the redemption provisions attaching to the Subscriber Shares of the Fund. The Fund will establish a reserve for redemptions for each share class based on the lesser of 20% of the Fund's retained earnings attributable to each share class or 50% of the Fund's net earnings after tax attributable to each share class for the immediately preceding fiscal year.

Except as indicated above, the standard investment restrictions and practices otherwise applicable to mutual funds are applicable to the Fund, and such restrictions and practices are deemed to be incorporated in this prospectus by reference. A copy of the standard investment restrictions and practices shall be provided by or on behalf of the Fund to any person requesting the same.

In addition to the investment restrictions described above, the Board will from time to time establish certain other investment policies. The Board has approved the following investment restrictions and policies, which may be varied from time to time by the Board, as opportunities and market conditions dictate and as permitted by the Saskatchewan Act:

- The portfolio assets of the Fund will be held in the custody of CIBC Mellon Global Securities Services Company, as successor in interest to The Toronto-Dominion Bank, as custodian;
- The Fund will not pledge or mortgage any of its assets or borrow money, except as a temporary measure for the purpose of accommodating requests for redemption of Subscriber Shares while effecting an orderly liquidation of portfolio securities, provided that after giving effect to such borrowing the outstanding amount of all such borrowing does not exceed 5% of its net assets valued at the time of such borrowing;
- The Fund will not lend its portfolio assets except in accordance with any guidelines or restrictions imposed on the lending of portfolio assets by mutual funds;
- The Fund will not make loans, except in the ordinary course of investing its funds, make short sales of securities or purchase securities on margin or act as an underwriter of securities;
- The Fund will not lend directly or indirectly to the Sponsor;
- The Fund will not create, issue or purchase derivative securities, except that it may obtain options to acquire additional securities or rights to sell securities of the entities in which it invests;
- The Fund will not trade in commodities or commodity contracts or create, issue or purchase puts, calls, or combinations thereof except that it may obtain options to acquire additional securities or rights to sell securities of the entities in which it invests;
- The Fund may from time to time issue Class C Shares on a private placement basis to corporate, institutional and other investors who do not benefit from the tax advantage of an investment in Subscriber Shares. As of the date of this Prospectus the Fund has not issued any Class C Shares;
- The Fund may invest in illiquid securities and securities the resale of which may be restricted. **See "Calculation of Net Asset Value - Valuation of Assets for which No Published Market Exists";** and
- The Fund will not invest in or lend money to any eligible business in which a director, officer or employee of the Manager has a material interest, whether such interest is direct or indirect. Subsequent to an investment, a director, officer or employee of the Manager may, as a representative of the Fund, become a director of an investee business.

As a labour-sponsored venture capital corporation, the Fund is not subject to compliance with the legislative rules directed at ensuring liquidity and diversification of investments and certain other investment restrictions and practices normally applicable to mutual funds, although the Fund may choose to follow such rules, restrictions and practices. As a result, the Fund may provide guarantees for the debts or obligations of other persons or companies or make investments of a nature or size which also involves participation in the management of the business, which other mutual funds would not make. Larger investments may also enable the Fund to obtain rights (for example in shareholders' agreements) which it believes are advantageous to the protection of its interests.

**The investment restrictions and policies described above may be varied from time to time by the Fund, provided that such variation is permissible under the Saskatchewan Act, the Saskatchewan Regulations and all other applicable legislation.**

## FEES AND EXPENSES

### **Fees and Expenses Payable by the Fund**

#### *Remuneration of Directors and Officers*

The remuneration to be paid to the officers of the Fund is established by the Board from time to time. No officer of the Fund currently receives any remuneration by virtue of such office.

Directors of the Fund are entitled to receive a fee of \$250 per meeting for each Board meeting attended of less than 2 hours in duration and \$500 per meeting for each Board meeting attended of more than 2 hours in duration and are entitled to receive a fee of \$500 for each stand alone committee meeting attended and a fee of \$250 for each committee meeting attended and held in conjunction with a Board meeting.

Directors of the Fund are entitled to an annual retainer, in addition to the per diem fee, for attending Board meetings of \$1,000 per annum, save and except the Chair of the Fund who is entitled to receive \$2,000 per annum. Members of the Investment Committee and Governance Committee of the Fund are entitled to an annual retainer of \$750 per annum, save and except the Chairs of each of these committees who are entitled to \$1,500 per annum. Members of the Audit/Valuation Committee of the Fund are entitled to an annual retainer of \$500 per annum, save and except the Chair of this committee who is entitled to \$1,000 per annum.

For the financial year ended August 31, 2011, a total of \$93,800 (2010 - \$56,770) (inclusive of applicable tax) was paid by the Fund to directors. In addition, all directors are entitled to be reimbursed for expenses incurred in attending Board meetings and are provided insurance coverage under a directors' and officers' liability insurance policy carried by the Fund. The Fund is not aware of any claim or potential claim which is outstanding or which would require submission by the Fund to this liability insurance.

No director or officer of the Fund is indebted to the Fund. Pursuant to the Saskatchewan Regulations and the Articles of the Fund, compensation paid to the shareholders, directors and officers of the Fund must be approved by the shareholders.

#### *Remuneration of Members of the IRC*

The remuneration to be paid to the members of the IRC is established by the Board from time to time. Members of the IRC are entitled to receive a fee of \$250 per meeting for each IRC meeting attended of less than 2 hours in duration and \$500 per meeting for each IRC meeting attended of more than 2 hours in duration. For the financial year ended August 31, 2011, a total of \$2,250 (2010 - \$750) (inclusive of applicable tax) was paid by the Fund to the members of the IRC. Members of the IRC are entitled to be reimbursed for expenses incurred in attending IRC meetings and the Fund indemnifies the members of the IRC and provides insurance against liability incurred in their role as IRC members. The Fund is not aware of any claim or potential claim which is outstanding or which would require submission by the Fund to this liability insurance. No member of the IRC is indebted to the Fund.

#### *Operating Expenses*

The Fund pays all of its operating expenses, including an annual Trailer Commission (since February 1, 2004 Conexus has been responsible for the payment of Base Commission and Additional Commission on the sale of Subscriber Shares), certain ongoing marketing costs, audit, valuation and legal expenses, certain consultants' costs and the fees and expenses payable to the Manager. **See "Fees and Expenses - Fees and Expenses Payable by the Fund - Management Fees and Expenses and Agent and Other Compensation"**. The nature of the investments made by the Fund generally requires a greater commitment to investment analysis, due diligence investigations and post-investment monitoring than investments in most publicly traded securities. In addition, the cost to determine the value of the Fund's assets for which no published market exists is greater than valuation costs for mutual funds which invest primarily in listed securities. Consequently, the operating expenses of the Fund may be higher than some mutual funds and other pooled investment vehicles.

For fiscal years commencing on or after October 1, 2003, a change in GAAP requires that commissions previously deferred be charged to net assets. Commissions incurred in the future must be charged to net assets as incurred. GAAP required that these changes be implemented by the Fund no later than its fiscal year commencing September 1, 2004. On January 1, 2004, the Fund revised its accounting policy such that all commissions paid by the Fund will be charged to net assets as incurred.

### ***Management Fees and Expenses***

Pursuant to the Management Agreement, the Fund is responsible for payment of the following amounts to the Manager:

- (1) an annual management fee, calculated and payable monthly in arrears, equal to 2.5% of the aggregate Net Asset Value of the Class A Shares and Class A-R Shares, as at each valuation date; and
- (2) the IPA equal to 20% of the return derived from an eligible venture investment of the Fund, from capital raised through the issuance of Class A Shares or Class A-R shares, is accrued from the date of investment in eligible venture investments and the IPA associated with an eligible venture investment will be paid annually only upon realization of the eligible venture investment. Before any IPA is paid to the Manager on the realization of an eligible venture investment or termination of the Manager, the Fund must have achieved all of the following:
  - (a) earned sufficient income to generate an average rate of return from all eligible venture investments greater than the 5 year average rate of return on a guaranteed investment certificate of Conexus plus 1% on an annualized basis. The income on eligible venture investments includes investment gains and losses (realized and unrealized) earned and incurred since the inception of the Fund, and negotiation fees, interest, royalties, distributions and earnings of any other kind;
  - (b) earned sufficient income from the particular eligible venture investment to provide a cumulative investment return, before expenses, at an average annual rate in excess of 10% since investment; and
  - (c) fully recouped an amount from the eligible venture investment, through income earned, liquidation of the investment, or otherwise, equal to all or greater than the principal invested in the particular eligible venture investment.

Provided that in the event of termination of the Manager, the Manager is entitled to an allocation for IPA on unrealized eligible venture investments to the date of termination, as valued by the Auditor. **See "Management Agreement"**.

During the fiscal year ended August 31, 2011, the Manager was paid fees, including IPA, in the amount of \$7,277,252 (2010 - \$6,145,221) (inclusive of GST) pursuant to the Management Agreement. For the period from September 1, 2011 to November 30, 2011 the Manager was paid fees, including IPA, in the amount of \$4,310,940 (same period in 2010 - \$3,093,346) (inclusive of GST).

The Manager provides the services of portfolio manager to the Fund with the fees for such services being included within the annual fees paid to the Manager by the Fund.

### ***Other Expenses***

The Fund is responsible for all direct costs and expenses incurred in the operation of the Fund, including without limitation, fees and expenses paid to special consultants, salaries and benefits of employees of the Fund, insurance (including directors' and officers' liability insurance), legal, audit, valuation and shareholder communication costs, travel, registrar and transfer agency expenses, custodian and trustee fees, marketing and promotion expenses, sales commissions payable to the Agent and Sub-Agents selling Subscriber Shares (provided that effective February 1, 2004, the Fund was no longer responsible for the payment of Base Commission and Additional Commission on the sale of Subscriber Shares, but rather Conexus assumed this responsibility), accounting, taxes and governmental costs, registration and listing fees, and investor and public relations. These costs and expenses include all direct out-of-pocket costs and expenses incurred by the Manager in carrying out its obligations under the Management Agreement with the Fund. The Fund is also responsible for any fees and expenses paid to any third party for liquid portfolio management services, if such services are at any time not provided by the Manager. The Fund has paid the Agent a corporate finance fee of \$25,000 and \$10,000 for legal fees for 2012.

Reference will be made in the annual audited financial statements of the Fund to the management expense ratio, which is the ratio of all fees and other expenses paid or payable by the Fund, (including the Trailer Commission) expressed as a percentage of the average net asset value of the Fund during the annual period to which the financial statements relate. In all instances, the sole liability of the Fund to the Manager is for fees due and payable and reimbursement of expenses up to the termination date of the Management Agreement. **See "Fees and Expenses - Fees and Expenses Payable by the Fund - Management Fees and Expenses"**.

### *Agent and Other Compensation*

The Fund is responsible for paying the following additional amounts:

**Sales Commissions:** Up to and including January 31, 2004, the Fund paid to the Former Agent and its Sub-Agents selling Subscriber Shares the Base Commission. Since February 1, 2004 the Base Commission is paid by Conexus on behalf of the Fund. The Fund also pays the Agent, Sub-Agents, Former Agent and its Sub-Agents an annual Trailer Commission for each fiscal year that an investment, directly attributable to a sale by the Agent, Sub-Agents, Former Agent or its Sub-Agents, is maintained within the Fund.

**Additional Commission:** Up to and including January 31, 2004, as remuneration for distribution services which were provided by the Former Agent to the Fund, the Fund paid the Former Agent the Additional Commission. Since February 1, 2004 the Additional Commission is paid by Conexus on behalf of the Fund. The distribution services provided by the Former Agent and now by the Agent to the Fund include, but are not limited to, acting as principal distributor and agent for the sale of Subscriber Shares to eligible Saskatchewan investors, marketing analysis and the appointment of Sub-Agents.

**Sales Incentive:** The Fund may enter into cooperative advertising programs with the Agent or Sub-Agents providing for reimbursement by the Fund of expenses incurred in promoting the sale of Subscriber Shares, subject to compliance with applicable laws, based on past or anticipated sales of Subscriber Shares by the Agent and Sub-Agents.

Up to and including January 1, 2004, the Base Commission, Additional Commission and any cooperative advertising expenses were capitalized by the Fund and amortized on a straight line basis over a period of eight years from the date of issuance of the Subscriber Shares. The Trailer Commission is charged to net assets as incurred and paid quarterly in arrears. As a result, a portion of the Net Asset Value of the Class A Shares is comprised of deferred commissions and cooperative advertising expenses rather than investment assets.

Since February 1, 2004, the Base Commission and Additional Commission are payable by Conexus and not by the Fund. Conexus is a Saskatchewan credit union that is at arm's length to the Fund. The Fund intends to invest sufficient money in Conexus on a non-interest bearing basis, from time to time, to enable it to pay the Base Commission and Additional Commission. The aggregate investments made by the Fund in Conexus during each calendar year will be repaid by Conexus to the Fund in eight equal payments beginning on January 10 of the year immediately following such calendar year.

**On January 1, 2004, the Fund revised its accounting policy such that all commissions paid by the Fund will be charged to net assets as incurred.** All fees and costs payable to the Agent, and other securities dealers involved in distributing the Fund's Subscriber Shares, in respect of services provided to the Fund, will be expensed in full at the time they are incurred and be charged against the Net Asset Value of the Fund in accordance with GAAP. Such fees and expenses will include all management and marketing service fees and related costs payable to the Agent and other securities dealers, as outlined in this prospectus.

### *Administrative Services Fee*

As remuneration for managing and attending to the payment of the Base Commission and Additional Commission, the Fund has agreed to pay Conexus the Administrative Services Fee. The Administrative Services Fee will be paid each year for 8 consecutive years following the sale of the applicable Subscriber Shares, payable on January 10 of each year, with payments made on January 10, 2012 relative to the 2011 calendar year.

### **Investor Expenses**

Investors are responsible for paying the following amounts:

**Sales Charge:** Sales commissions and other fees and expenses are paid indirectly by investors through the Fund and the Fund, directly or indirectly, pays such commissions, fees and costs, as applicable, out of the proceeds from the sale of Subscriber Shares. **See "Purchase of Securities (Plan of Distribution)" and "Fees and Expenses - Fees and Expenses Payable by the Fund - Agent and Other Compensation".**

Transfer Fee: Nil

RRSP Fee: The Manager, on behalf of the Fund, has made arrangements with Concentra Trust, pursuant to which individual investors may establish a RRSP with Concentra Trust and have the RRSP purchase Subscriber Shares. Where the aggregate funds in a trust governing a RRSP or a RRIF are less than \$10,000 at the end of the eight year hold period for the initial subscription, a one-time administrative fee, payable at the end of the eight year hold period for the initial subscription, in the sum of \$35 plus GST (\$36.75 in total) will be charged by Concentra Trust for such transactions. These administration fees are subject to change on 60 days notice without prior approval of the participants. Investors may also have their own or their spouse's or common law partner's self-directed RRSP purchase Subscriber Shares. See "**Prospectus Summary - Benefits and Eligibility for Investment**" and "**Income Tax Considerations**".

Early Redemption Fee: Holders of Subscriber Shares who request the Fund to redeem their shares before the eight year minimum holding period expires will be charged an Early Redemption Fee. There is no Early Redemption Fee where the redemption occurs following the death of the original holder of the Subscriber Shares or after the eighth anniversary of the date of issue of the Subscriber Shares. Early redemption before expiry of the eight year holding period may also result in repayment of both Federal and Saskatchewan tax credits, and is subject to a number of restrictions. See "**Income Tax Considerations**" and "**Description of the Securities Distributed - Class A Shares & Class A-R Shares**".

### ANNUAL RETURN AND MANAGEMENT EXPENSE RATIO

The management expense ratio and annual returns of the Fund for the past five years are as follows:

#### *Class A Shares*

| Year | Annual Return <sup>(1)</sup> | Management Expense Ratio <sup>(2)</sup> | Adjusted Management Expense Ratio <sup>(3)</sup> |
|------|------------------------------|---|--|
| 2011 | 6.35%                        | 6.80%                                   | 4.56%  |
| 2010 | 4.34%                        | 6.79%                                   | 4.63%  |
| 2009 | 0.1%                         | 6.42%                                   | 4.88%  |
| 2008 | 19.82%                       | 10.76%                                  | 5.03%  |
| 2007 | 2.31%                        | 7.99%                                   | 5.24%  |

Notes:

- (1) The Annual Return of the Class A Shares is calculated based on the Net Asset Value per Class A Share.
- (2) The Management Expense Ratio of the Class A Shares has been calculated by aggregating all fees and expenses paid or payable by the Fund and attributable to the Class A Shares (including an estimated contingent IPA attributable to the Class A Shares and all Class A Share issue costs, but excluding commissions and brokerage fees on the purchase and sale of portfolio securities attributable to the capital raised through the issuance of Class A-R Shares) and is expressed as a percentage of the average net assets administered during the period.
- (3) The Adjusted Management Expense Ratio of the Class A Shares is the Management Expense Ratio of the Class A Shares excluding IPA attributable to the Class A Shares.

#### *Class A-R Shares*

| Year | Annual Return <sup>(1)</sup> | Management Expense Ratio <sup>(2)</sup> | Adjusted Management Expense Ratio <sup>(3)</sup> |
|------|------------------------------|---|--|
| 2011 | 10.96%                       | 8.06%                                   | 4.71%  |
| 2010 | 7.95%                        | 8.73%                                   | 4.85%  |
| 2009 | 3.23%                        | 7.89%                                   | 5.17%  |
| 2008 | 27.59%                       | 11.04%                                  | 5.52%  |
| 2007 | (1.59%)                      | 7.25%                                   | 5.88%  |

Notes:

- (1) The Annual Return of the Class A-R Shares is calculated based on the Net Asset Value per Class A-R Share.
- (2) The Management Expense Ratio of the Class A-R Shares has been calculated by aggregating all fees and expenses paid or payable by the Fund and attributable to the Class A-R Shares (including an estimated contingent IPA attributable to the Class A-R Shares and all Class A-R Share issue costs, but excluding commissions and brokerage fees on the purchase and sale of portfolio securities attributable to the capital raised through the issuance of Class A Shares) and is expressed as a percentage of the average net assets administered during the period.

- (3) The Adjusted Management Expense Ratio of the Class A-R Shares is the Management Expense Ratio of the Class A-R Shares excluding IPA attributable to the Class A-R Shares.

Because of the nature of the investments that the Fund intends to make, it is anticipated that the management expense ratio of the Class A Shares and of the Class A-R Shares will be higher than that of conventional mutual funds.

Management expense ratios vary from mutual fund to mutual fund.

## RISK FACTORS

In addition to the other risk factors contained elsewhere in this prospectus, the following may be considered as risk factors pertaining to an investment in Subscriber Shares.

### Nature of Investment

The Subscriber Shares are highly speculative in nature and are suitable only for investors able to make a long-term investment.

The business of the Fund is to make investments in Saskatchewan small and medium-sized eligible businesses. There is no assurance that suitable investments will be found. There is no guarantee that an investment in the Subscriber Shares will earn an acceptable rate of return or any return in the short or the long term. An investment in Subscriber Shares is only appropriate for investors able to make a long term commitment, and with the capacity to absorb a loss of some or all of their investment.

Investments of the kind to be made by the Fund, by their nature, involve a longer commitment than that typical for other types of investments made by mutual funds. Many such investments require between five to eight years in order to mature and generate the returns expected by the Fund. Furthermore, despite diversification of the Fund's investment portfolio for purposes of distributing risk, the investments of the Fund are likely to mature at different times creating an irregular pattern in the Net Asset Value per Share. In addition, certain of the investments may not mature and generate the returns expected, and losses on unsuccessful investments are often realized before gains on successful investments are realized.

Although the Fund is a mutual fund, many of the rules designed to protect investors who purchase securities of mutual funds will not apply to the Fund. In particular, rules directed at ensuring liquidity and diversification of investments as well as certain investment restrictions and practices normally applicable to mutual funds do not apply. In addition, diversification of investments which are made by the Fund may also be limited due to the size of the Fund. The Fund may also take positions in small and medium-sized eligible businesses which represent a larger percentage of the equity than a mutual fund would be permitted to take, and this may increase the risk per investment. **See "Investment Objectives", "Investment Strategies" and "Sectors and Investments - Investment Restrictions and Practices".**

Venture capital investment in Saskatchewan eligible businesses according to the investment restrictions and policies applicable to the Fund requires a greater commitment to investment analysis than investments in most other securities. The values which the Fund places on its investments may not reflect the amounts for which they can actually be sold. Particularly, the carrying value of the existing investments in eligible businesses represents, in certain instances, the unrealized gain of such investment and may not reflect the actual value for which such investment can be sold. In addition, the cost to determine the value of the Fund's assets for which no published market exists will be greater than valuation costs for mutual funds which invest primarily in listed securities. Consequently, the operating expenses of the Fund may be higher than those of many mutual funds and other pooled investment vehicles. **See "Fees and Expenses - Fees and Expenses Payable by the Fund - Operating Expenses".**

The Saskatchewan Act, pursuant to ministerial discretion, permits up to twenty-five percent (25%) of the capital raised by the Fund through the sale and issuance of Subscriber Shares to be utilized by the Fund, if required, to satisfy payment of the Fund's ongoing operating expenses. There is no assurance that the operating expenses will not exceed the actual revenues generated within the Fund on an on-going basis, on which event the aforesaid 25% of the Fund capital will be at risk. **See "Use of Proceeds".**

The Fund only invests in Saskatchewan eligible businesses and any concentration of investment in this manner may result in the value of the Fund fluctuating to a greater degree than if the Fund invested in a broader geographical diversification of businesses.

### Industry Concentration

Since the focus of the Fund is to invest up to 80% of the capital raised through the issuance of the Class A-R Shares in Saskatchewan eligible businesses in the energy, mining and related sectors, rather than a broad cross-section of the economy as is the case with 75% of the net proceeds of the issuance of the Class A Shares, the Net Asset Value of the Fund attributable to the capital raised through the issuance of the Class A-R Shares may be more volatile than that of portfolios with a more diversified investment focus. The value of

the energy and mining investment portfolio of the Fund may fluctuate as a result of factors affecting the energy and mining sectors generally.

### **Management Track Record**

Investors will be relying upon the business judgment, expertise and integrity of the Board, the officers of the Fund and the Manager. The services of the Board, the officers of the Fund and the Manager are not exclusive to the Fund, and such persons may provide similar services to other parties including other venture capital corporations. **See "Organization and Management Details of the Fund - Conflicts of Interest"**. Such conflicts could have adverse effects on the Fund.

The Manager cannot effectively be terminated by the Fund unless by mutual agreement between the Manager and the Fund.

Holders of Subscriber Shares are entitled to elect only a minority of the directors of the Fund (currently four of nine).

### **Follow-on Financings**

Some of the Fund's investees may require additional financing after the Fund has invested in order to fully implement their business strategies. If the Fund is unable to raise additional capital after it has met the investment pacing requirements applicable to it or is otherwise unable to participate in follow-on financings, it will be reliant upon third parties to provide future funding to these investees and may suffer dilution and adverse changes in the terms of its investments. The ability of the Fund to raise additional capital depends upon a number of factors including the state of the capital markets and future changes to the Saskatchewan Act.

### **External Factors**

The Net Asset Value of the Fund, and therefore the value of the Subscriber Shares, is based on the value of the investments in the Fund's portfolio. The value of the investments will fluctuate with general economic conditions, including the level of interest rates, corporate earnings, economic activity, the Canadian dollar and other factors. Given the Fund's investment focus, the risk associated with such fluctuations may be increased for investors in the Subscriber Shares since emerging businesses often are affected more than larger, more mature entities by external events, including downturns in general economic conditions.

### **Valuations**

The Fund offers Subscriber Shares at the Net Asset Value per Share at the last Business Day of each week. These values will be based, in part, on estimates of the fair market value of the Fund's assets for which there is no published market, which estimates are made quarterly and updated weekly. This valuation process is inevitably 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. To the extent that these valuations are too high, new shareholder investment will provide a benefit to existing investors; similarly, to the extent these valuations are too low, existing investors will suffer a dilution in the value of their shares. Valuation of the Fund's assets are done by Management and reviewed annually, in the aggregate, by the Auditors. No independent valuation is to occur unless at the request of the Auditors. **See "Calculation of Net Asset Value"**.

Most of the Fund's investments are in small privately held companies. These investments are, on an ongoing basis, valued by the Manager of the Fund and reviewed annually by the Auditors. No independent valuation or assessment of these investments is conducted and the Agent has not done an independent review of any of those investments nor the value of those investments presented by the Fund. As many of the Fund's investments are in small privately held companies, there can be no assurance that the Fund will be able to recover any of its investment in any such company should such company fail.

### **Lack of Liquidity**

No market exists at present through which the Subscriber Shares may be sold and none is expected to develop. There are restrictions on the transfer and redemption of Subscriber Shares. **See "Description of the Securities Distributed - Class A Shares and Class A-R Shares"**. Consequently, holders of Subscriber Shares may not be able to sell or redeem their Subscriber Shares and Subscriber Shares may not be accepted as collateral for loans. Investors, who request redemption of Subscriber Shares within eight years of the date of acquisition will, subject to certain exceptions, be subject to a withholding fee equal to the Federal and Saskatchewan tax credits received on the purchase of such Subscriber Shares. In addition, investors must pay an Early Redemption Fee if their Subscriber Shares are redeemed within eight years of purchase. **See "Income Tax Considerations", "Other Material Facts - Penalties Potentially Applicable to the Fund" and "Description of the Securities Distributed- Class A Shares and Class A-R Shares"**.

Redemption of the Subscriber Shares is substantially restricted both by law and due to the fact that the obligation of the Fund to redeem the Subscriber Shares is based on the profitability and retained earnings of the Fund. In particular, with respect to redemption of Subscriber Shares:

- (1) the Fund is prohibited by law from making redemptions in certain circumstances;
- (2) the Fund may suspend redemptions for substantial periods of time in certain circumstances;
- (3) the Fund, in any fiscal year and subject to certain exceptions, will not be required to redeem Subscriber Shares if, (i) the redemption would create a working capital deficiency for the Fund, (ii) the redemption would cause the Fund to be in default of its financial obligations under an arm's length loan agreement, (iii) the Fund is insolvent or would be rendered insolvent as a result of the redemption, or (iv) the total redemptions in the fiscal year would exceed either 20% of the Fund's retained earnings or 50% of the Fund's net earnings after taxes for the previous fiscal year; and
- (4) should a shareholder or shareholders holding a large block of Subscriber shares seek redemption, any Subscriber shareholder making a subsequent request may not be able to achieve immediate redemption. Further, a request for a large redemption may impact the price that is realized on the Fund's investment(s) and thereby adversely affect the Net Asset Value of the Subscriber Shares.

Where a request for redemption has been declined by the Fund for any of the foregoing reasons, the request will remain in effect until withdrawn by the shareholder or subsequently fulfilled by the Fund. Investors may not be able to dispose of their Subscriber Shares other than by way of redemption as there is no formal market, such as a stock exchange, through which Subscriber Shares may be sold, and none is expected to develop. There are restrictions on the transfer of Subscriber Shares. **See "Description of the Securities Distributed - Class A Shares and Class A-R Shares"**.

#### **Non-Compliance with Investment Requirements**

The Fund may have its registration under the Saskatchewan Act revoked and be subject to certain penalties if it does not comply with the investment and other requirements of the Saskatchewan Act. **See "Other Material Facts - Penalties Potentially Applicable to the Fund"**. The investment performance of the Fund may be adversely affected if the Fund becomes subject to such penalties or if its registration is revoked.

#### **Legislative or Governmental Policy Changes**

Changes may be introduced to the Federal and Saskatchewan legislation that provides for tax credits for investment in labour-sponsored venture capital corporations and related matters. If such changes are unfavourable, the Fund's ability to attract further investment could be impaired. As a result, the availability of capital for investment by the Fund could be reduced, thereby decreasing the Fund's ability to fulfill its investment objectives.

Maximum annual tax credits apply in respect of all purchases of shares of prescribed and registered labour-sponsored venture capital corporations, for each taxation year, including the Fund. If, in the opinion of the Saskatchewan Minister, the number of corporations registered pursuant to the Saskatchewan Act is sufficient to take up the maximum annual tax credits available, the Saskatchewan Minister may suspend the further registration of corporations, suspend the allowance of tax credits or allocate the tax credits amongst the registered corporations.

### **DISTRIBUTION POLICY**

The Fund may declare such dividends on the Subscriber Shares from time to time out of monies legally available for dividends as may be appropriate. There has been no dividend distribution by the Fund since its inception.

The Fund intends to capitalize annually certain amounts of its interest and other investment income (other than dividends in respect of taxable Canadian corporations) and capital gains to the extent necessary to obtain a refund of the tax otherwise payable on its taxable capital gains and to reduce the tax otherwise payable by it on its interest and other investment income (other than dividends in respect of taxable Canadian corporations). Such capitalization will be effected, with the approval of the shareholders of the Fund, by increasing the stated capital of the Subscriber Shares. If and to the extent that the Fund increases the stated capital of the Subscriber Shares, a holder of Subscriber Shares will be deemed to have received a dividend equal to the amount of the stated capital increase in respect of his or her Subscriber Shares. **See "Income Tax Considerations - Federation Taxation of Shareholders - Dividends", "Capital Gains & Losses" and "Dividend Refund and Capitalization of Income"**.

**PURCHASE OF SECURITIES (PLAN OF DISTRIBUTION)****Agency Agreement**

The Fund and the Agent have entered into the Agency Agreement, pursuant to which the Agent agreed to act as agent and principal distributor of the Fund in respect of sales of Subscriber Shares. The minimum initial subscription for Subscriber Shares is \$500, and the minimum for subsequent subscriptions is \$100. The Fund may waive minimum initial and subsequent subscription amounts to accommodate pre-authorized contribution plans and payroll deduction plans. Subscriber Shares are being offered to individuals and RRSPs. The minimum initial and subsequent subscription amounts may be changed from time to time by the Board. The services to be provided by the Agent to the Fund will include, but shall not be limited to, acting as principal distributor and agent for the sale of Subscriber Shares to eligible Saskatchewan investors, marketing analysis and the appointment of Sub-Agents.

Pursuant to the Agency Agreement, the Agent is authorized to engage Sub-Agents. The Fund has paid the Agent a corporate finance fee of \$25,000 and \$10,000 for legal fees for 2012. The Fund also pays the Agent and Sub-Agents selling Subscriber Shares an annual Trailer Commission for each fiscal year that an investment, directly attributable to a sale by the Agent or Sub-Agents, is maintained within the Fund.

**Amended and Restated Agency Agreement**

Up to and including November 30, 2009, the Former Agent was the agent and principal distributor for the distribution of the Subscriber Shares. The Fund and the Former Agent entered into the Amended and Restated Agency Agreement, pursuant to which the Agent agreed to act as agent and principal distributor of the Fund in respect of sales of Subscriber Shares, which arrangement has been mutually terminated by the Fund and the Former Agent save and except for the Former Agent's or its Sub-Agents' entitlement to be paid the Trailer Commission for each fiscal year that an investment, directly attributable to a sale by the Former Agent or its Sub-Agents, is maintained within the Fund.

**Administrative Services Agreements**

Up to and including January 31, 2004 the Base Commission and Additional Commission were paid directly by the Fund. Beginning February 1, 2004, the Base Commission and Additional Commission are payable by Conexus and not the Fund. Pursuant to the Administrative Services Agreements the Fund is contingently liable for the Base Commission and Additional Commission. Conexus is a Saskatchewan credit union that is at arm's length to the Fund. The Fund intends to invest sufficient money in Conexus on a non-interest bearing basis, from time to time, to enable it to pay the Base Commission and Additional Commission. The aggregate investments made by the Fund in Conexus during each calendar year will be repaid by Conexus to the Fund in eight equal annual payments beginning on January 10 of the year immediately following such calendar year. As remuneration for managing and attending to the payment of the Base Commission and Additional Commission, the Fund has agreed to pay Conexus the Administrative Services Fee, except in the case of the 2004 calendar year, regarding which the Fund has agreed to pay Conexus the Administrative Services Fee on the gross proceeds raised on the sale of Subscriber Shares occurring on or after February 1, 2004, and up to and including December 31, 2004. The Administrative Services Fee will be paid each year for 8 consecutive years following the sale of the applicable Subscriber Shares, payable on January 10 of each year, with payments made on January 10, 2012 relative to the 2011 calendar year.

Pursuant to the Administrative Services Agreements the Base Commission and Additional Commission was paid by Conexus relative to the calendar years 2005 to and including 2011.

Pursuant to the 2012 Administrative Services Agreement the Base Commission and Additional Commission will be paid in 2012 by Conexus, relative to the 2012 calendar year. The investment by the Fund in Conexus and the repayment by Conexus over an eight year period with the Administrative Services Fee payable by the Fund to Conexus will occur in 2012 in the same fashion and under the same and like terms as occurred in each of the previous seven years.

The Fund continues to be satisfied that in addition to the aggregate loan proceeds made available to, and the Administrative Services Fee payable to Conexus by the Fund, Conexus will have sufficient capital available to it to meet ongoing administrative and other costs.

**Custodial Agreement**

Pursuant to the Custodial Agreement CIBC Mellon Global Securities Services Company has agreed to act as custodian and hold the portfolio securities of the Fund in safekeeping for the Fund.

## **Pre-Authorized Chequing Plan**

The Fund has established a pre-authorized chequing plan to assist investors in making an investment in Subscriber Shares. No administrative fees are payable for participation in the pre-authorized chequing plan. Participants in the plan are not required to commit to any specific number of purchases and may, at their option, make purchases monthly or quarterly. A participant in the plan may change the dollar amount or frequency of purchases or may terminate participation in the plan at any time without penalty, on written notice to the Fund.

## **RRSP Purchases**

Pursuant to the RRSP Agency Trust Agreement, individual investors may establish a self-directed RRSP with Concentra Trust and have the RRSP purchase Subscriber Shares. Certain administrative services relating to the RRSPs established for investors will be provided by the Transfer Agent, pursuant to the Services Agreement referred to under "**Shareholder Financial Reporting**". Where the aggregate funds in a trust governing a RRSP or a RRIF are less than \$10,000 at the end of the eight year hold period for the initial subscription, a one-time administrative fee, payable at the end of the eight year hold period for the initial subscription, in the sum of \$35 plus GST (\$36.75 in total) will be charged by Concentra Trust for such transactions. These administration fees are subject to change on 60 days notice without prior approval of the participants. Investors may also have their own or their spouses' or common law partners' self-directed RRSP purchase Subscriber Shares. See "**Prospectus Summary - Benefits and Eligibility for Investment**" and "**Income Tax Considerations**".

## **Suspension and Resumption of the Offering**

Although the Fund expects to continuously offer Subscriber Shares, at prices equal to the Net Asset Value per Share, the Fund may, from time to time, in its sole discretion, suspend and recommence this Offering at any time the Fund may deem appropriate. Specifically, the Fund may suspend this Offering at any time when the Fund has more funds than it can invest in Eligible Investments within a reasonable period of time, and will recommence the Offering at such time as sufficient investment opportunities are available.

See "**Description of Securities Offered - The Offering**".

## **REDEMPTION OF SECURITIES**

**Redemption of the Subscriber Shares is restricted both by law and due to the fact that the obligation of the Fund to redeem the Subscriber Shares is based on the profitability and retained earnings of the Fund attributable to the class of Subscriber Shares for which redemption is requested.**

In any fiscal year, the Fund will not be required to redeem Subscriber Shares if the redemption would create a working capital deficiency for the Fund, cause it to be in default of its financial obligations under an arm's length loan agreement, if the Fund is insolvent or would be rendered insolvent as a result of the redemption, or if the total redemptions in the fiscal year would exceed either 20% of the Fund's retained earnings or 50% of the Fund's net earnings after taxes for the previous fiscal year. Subject to applicable law, under the Saskatchewan Act these restrictions will not apply if the original holder of Subscriber Shares being redeemed has died, or if the investment is held by a RRSP or a RRIF and the sole beneficiary of the plan or fund is deceased.

Subject to the above restrictions, a holder of Subscriber Shares may request his or her sales agent/representative to contact the Transfer Agent to request a redemption of such holder's Subscriber Shares., which shares may be redeemed in the following circumstances: (i) a holder of Subscriber Shares may require the Fund to redeem some or all of the holder's Subscriber Shares if the redemption occurs more than eight years after the date of issue of the Subscriber Shares being redeemed; or (ii) Subscriber Shares may be redeemed by the Fund upon request from the holder prior to the expiry of the eight year holding period, but only if an amount equal to the Federal tax credit and Saskatchewan tax credit, if any, on such shares is withheld from the redemption proceeds and paid to the Receiver General and the Saskatchewan Minister, respectively. Under normal circumstances the sales agent/representative of a holder of Subscriber Shares requesting redemption and the Transfer Agent will effect the share redemption with the Fund during a period of forty-five days. See "**Prospectus Summary - Benefits and Eligibility for Investment**" and "**Income Tax Considerations**". The legal representative of the original holder of Subscriber Shares may require the Fund to redeem the holder's Subscriber Shares without withholding of the tax credit amounts if the holder has died. In addition, the Fund may, on a discretionary basis, condition redemption of a holder's Subscriber Shares based on marital breakdown or personal financial hardship.

If the Fund is requested to redeem Subscriber Shares before the eighth anniversary of their issue, holders of Subscriber Shares so redeemed will be charged an Early Redemption Fee. The Early Redemption Fee will be deducted from the Redemption Amount

otherwise payable and will be retained by the Fund. There is no Early Redemption Fee where the redemption occurs following the death of the original holder of the Subscriber Shares or after the eighth anniversary of the date of issue of the Subscriber Shares.

Subject to the foregoing limitations, any such Subscriber Shares that the Fund has not redeemed in a particular fiscal year will be redeemed in the following fiscal year before the Fund redeems any other Subscriber Shares. For such purposes, the requests to redeem such shares will be deemed to have been received by the Fund on the first day of the following fiscal year in the order that they were originally received by the Fund.

Redemptions of Subscriber Shares are made at the Redemption Amount. See "**Calculation of Net Asset Value– Net Asset Value of the Fund**".

Investors who invested into the Fund in 2002 or earlier are eligible to roll their original investment back into the Fund and receive a second 15% Federal tax credit and a second 20% Saskatchewan tax credit. However, where such original investment was held in an RRSP, such investors will not be entitled to claim a second RRSP deduction when rolling their original investment back into the Fund. See "**Income Tax Considerations - Tax Credits Available to First Purchasers of Class A Shares and Class A-R Shares**". Alternatively, an investor who invested into the Fund in 2002 or earlier may request the Fund to redeem all or some portion of such Subscriber Shares so acquired in 2002 or earlier, which redemption will not be subject to the withholding fee and Early Redemption Fee. The fiscal year of the Fund commencing September 1, 2008 was the first year in which investors could roll or redeem their original investment. As at October 31, 2011, 79.7% of those investors eligible to redeem their original investment chose to roll and/or retain their original investment back into the Fund. See "**Documents Incorporated by Reference - Annual Report**".

## **INCOME TAX CONSIDERATIONS**

### **Status of Investment Fund**

In the opinion of Olive Waller Zinkhan & Waller LLP, counsel to the Fund, the following summary presents fairly the principal Canadian federal income tax considerations and Saskatchewan income tax considerations generally applicable to prospective purchasers of Subscriber Shares pursuant to this prospectus who, at all relevant times for the purposes of the Federal Act and the Saskatchewan Tax Act are individuals (other than trusts) resident in Saskatchewan, hold their Subscriber Shares as capital property and deal at arm's length and are not affiliated with the Fund. Generally, Subscriber Shares will be capital property to the holder thereof unless the holder is a trader or dealer in securities or has acquired the Subscriber Shares as part of an adventure in the nature of trade. For purposes of this summary, it is assumed that the Fund is a "registered labour sponsored venture capital corporation" as defined under the Saskatchewan Act at all times. It is also assumed that the Fund will not qualify as an "investment corporation" under the Federal Act.

This summary is based on the current provisions of the Federal Act, the Saskatchewan Act, the Saskatchewan Tax Act and the regulations under such statutes (collectively referred to herein as the "**Tax Regulations**"), counsel's understanding of the current administrative and assessing practices of the CRA and the Saskatchewan Ministry of Finance and specific proposals for amendments to such statutes and the Tax Regulations announced prior to the date hereof (the "**Proposed Amendments**"), but does not take into account or anticipate any other changes in law, whether by judicial, governmental or legislative action. There is no assurance that the Proposed Amendments will be enacted in the form proposed, if at all.

**This summary is of a general nature only and is not exhaustive of all possible Federal and Saskatchewan income tax considerations. This summary is not intended to be, nor should it be construed to be, legal or tax advice to any particular purchaser. Therefore, prospective purchasers should consult their own tax advisers with respect to their particular circumstances. This summary does not take into account foreign income tax legislation or considerations and, except for the Province of Saskatchewan, provincial or territorial income tax legislation or considerations.**

### **Tax Credits Available to First Purchaser of Subscriber Shares**

An individual Saskatchewan resident (other than a trust) who is the first person to be the registered holder of Subscriber Shares will be eligible for (i) a Federal labour-sponsored funds non-refundable tax credit (the "**Federal Tax Credit**") in an amount equal to 15% of the individual's net cost of the Subscriber Shares to a maximum of \$750 per year, and (ii) a 20% Saskatchewan labour-sponsored funds non-refundable tax credit (the "**Provincial Tax Credit**") to a maximum of \$1,000 per year. The maximum Federal Tax Credit and Provincial Tax Credit are reached in each case at an investment of \$5,000. Generally, an individual's net cost of Subscriber Shares is the price paid in respect of the subscription for, or the acquisition of, the Subscriber Shares. The amount of the Federal Tax Credit and Provincial Tax Credit does not reduce the net cost of the Subscriber Shares to the holder for this purpose. The amount of any assistance provided by a government, municipality or public authority in respect of the acquisition of a Subscriber Share, other

than a tax credit or a deduction in respect of a contribution to a RRSP, will reduce the individual's net cost of the Subscriber Share. The individual will be eligible for an annual aggregate maximum Federal Tax Credit of \$750 (based on a \$5,000 investment) and Provincial Tax Credit of \$1,000 (based on a \$5,000 investment) in respect of his or her aggregate purchases of shares of registered labour-sponsored venture capital corporations under the Federal Act and the Saskatchewan Act for each taxation year.

An individual (other than a trust) who is the annuitant under a RRSP or the spouse or common law partner of the annuitant under a spousal RRSP will be entitled to the Federal Tax Credit in respect of the purchase of Subscriber Shares by the RRSP. An individual Saskatchewan resident (other than a trust) who makes contributions to a RRSP of which the individual is the annuitant will also be eligible for the Provincial Tax Credit provided the RRSP is the first purchaser of the Subscriber Shares and those contributions can reasonably be considered to have been used by the RRSP to acquire or subscribe for the Subscriber Shares. Unlike the Federal Act, the Saskatchewan Act does not specifically allow an individual to claim the Provincial Tax Credit in respect of the purchase of Subscriber Shares by a RRSP of which the annuitant is the spouse or common law partner of the individual. However, it is our understanding that the Finance Department has taken an administrative position of allowing an individual to claim the Saskatchewan Tax Credit where the purchaser of the Subscriber Shares is a RRSP of which the annuitant is the individual's spouse or common law partner.

To be eligible for the Federal Tax Credit, the individual must file with his or her tax return the information return issued to him or her in respect of the acquisition of Subscriber Shares. The Federal Tax Credit may be deducted from the individual's tax payable only in respect of the calendar year in which the Subscriber Shares are irrevocably subscribed and paid for or acquired, unless the Subscriber Shares are irrevocably subscribed and paid for or acquired in the first 60 days of a calendar year, in which case the Federal Tax Credit may, at the individual's option, be deducted from the tax payable in respect of the preceding calendar year to the maximum allowable amount of Federal Tax Credit for that preceding calendar year. The Federal Tax Credit is not refundable to the extent that it exceeds the individual's tax otherwise payable and is not transferable by the individual.

To be eligible for the Provincial Tax Credit, the individual must file with his or her tax return the Tax Credit Certificate issued to him or her in respect of the acquisition of Subscriber Shares. The Provincial Tax Credit may be deducted from the individual's tax payable only in respect of the calendar year in which Subscriber Shares are acquired, unless the Subscriber Shares are acquired in the first 60 days of the calendar year, in which case the Provincial Tax Credit may, at the individual's option, be deducted from the tax payable in respect of the preceding calendar year to the maximum allowable amount of Provincial Tax Credit for that preceding calendar year. The Provincial Tax Credit is not refundable to the extent that it exceeds the individual's tax otherwise payable and is not transferable by the individual.

Maximum annual tax credits apply in respect of all purchases of shares of prescribed and registered labour-sponsored venture capital corporations, for each taxation year, including the Fund. If, in the opinion of the Saskatchewan Minister, the number of corporations registered pursuant to the Saskatchewan Act is sufficient to take up the maximum annual tax credits available, the Saskatchewan Minister may suspend the further registration of corporations, suspend the allowance of tax credits or allocate the tax credits amongst the registered corporations.

### **Eligibility for Investment and Transfer of Subscriber Shares to RRSPs and RRIFs**

Pursuant to the Tax Regulations, Subscriber Shares will generally be qualified investments for RRSPs and RRIFs, provided that, at the time the Subscriber Shares are acquired by the trust, the Fund is a registered labour-sponsored venture capital corporation under the Saskatchewan Act and immediately after the Subscriber Shares are acquired by the RRSP or RRIF, the annuitant under the RRSP or the RRIF, as the case may be, owns or has options to acquire, or is a member of a related group which owns or has options to acquire, (directly or indirectly) less than 10% of the issued shares of any class of the Fund. In determining whether this 10% limit is exceeded, the shareholder may be deemed to own shares held by non-arm's length persons and certain other entities.

An individual who acquires Subscriber Shares may transfer the Subscriber Shares to a RRSP under which the individual or his or her spouse or common law partner is the annuitant. On the transfer of Subscriber Shares to a RRSP the holder of the Subscriber Shares will be deemed to have disposed of the Subscriber Shares and to have received proceeds of disposition equal to the fair market value of the Subscriber Shares on the date of transfer. If the fair market value of the Subscriber Shares is greater than the individual's adjusted cost base of the Subscriber Shares, the excess will be the holder's capital gain. If the fair market value of the Subscriber Shares is less than the individual's adjusted cost base of the Subscriber Shares, any resulting capital loss will be generally denied. **See "Income Tax Considerations - Federal Taxation of Shareholders - Disposition of Subscriber Shares"**. The individual may be eligible to treat an amount equal to the fair market value of the Subscriber Shares at the time of the transfer as a deductible contribution to the RRSP, subject to the contribution limits in the Federal Act. The determination of the fair market value of Subscriber Shares is a factual matter. In assessing the income tax return of an individual who has made such a transfer, the CRA has the right to review the fair market value of a Subscriber Share.

Contributions to RRSPs are deductible in accordance with the provisions of the Federal Act which place limits on the annual amount of deductible RRSP contributions. This deduction is in addition to the Federal Tax Credit. Generally, for any year, an individual may deduct a RRSP contribution that does not exceed the amount by which the lesser of the RRSP dollar limit for the year and 18% of his or her earned income (as defined in the Federal Act) for the immediately preceding year exceeds the value of his or her pension or deferred profit sharing plan benefits determined in accordance with the Federal Act. For 2011 the RRSP dollar limits have been set at \$22,450 and for 2012 the RRSP dollar limits have been set at \$22,970. Unused RRSP deduction room for 1991 and subsequent years can be carried forward to increase the amount of an individual's deductible contribution to a RRSP, subject to the detailed provisions of the Federal Act in that regard. The Federal Act permits an indefinite carry forward of unused RRSP deductions.

In addition, an individual who acquires the Subscriber Shares, or a RRSP under which the individual or his or her spouse or common law partner is the annuitant which acquires Subscriber Shares, may transfer the Subscriber Shares to a RRIF under which the individual or his or her spouse or common law partner is the annuitant. There is no tax deduction available for transfers of property from an individual to a RRIF. An individual who makes such a transfer of Subscriber Shares will be deemed to have disposed of the Subscriber Shares and to have received proceeds of disposition equal to the fair market value of the Subscriber Shares on the date of transfer. If the fair market value of the Subscriber Shares is greater than the individual's adjusted cost base of the Subscriber Shares, the excess will be the holder's capital gain. If the fair market value of the Subscriber Shares is less than the individual's adjusted cost base of the Subscriber Shares, any resulting capital loss will be denied. **See "Income Tax Considerations Federal Taxation of Shareholders - Disposition of Subscriber Shares"**. The determination of the fair market value of the Subscriber Shares is a factual matter. In assessing the income tax return of an individual who has made such a transfer, the CRA has the right to review the fair market value of the Subscriber Shares. Where such a transfer is made by an eligible RRSP, generally no tax consequences will ensue as rules in the Federal Act permit tax sheltered contributions of property to a RRIF from RRSPs.

While Subscriber Shares can, provided certain conditions are met, be qualified investments for a TFSA, under the Saskatchewan Act the Fund cannot issue Subscriber Shares to TFSAs and Subscriber Shares cannot be transferred by an individual to a TFSA. Unless and until amendments are made to the Saskatchewan Act, Subscriber Shares may not be purchased by or transferred to TFSAs.

## **Federal Taxation of Shareholders**

### *Dividends*

Dividends (other than capital gains dividends) paid on Subscriber Shares and received, or deemed to be received, by an individual will be included in computing the individual's income subject to the gross-up and dividend tax credit rules in the Federal Act applicable to dividends from taxable Canadian corporations. Similar rules will apply for Saskatchewan tax purposes based on the Saskatchewan Tax Act, although the Saskatchewan dividend credit is generally determined as 60% of the dividend tax credit determined under the Federal Act. The amount of a capital gains dividend received, or deemed to be received, by an individual that holds Subscriber Shares will be deemed to be a capital gain of the holder from a disposition of capital property for the year in which the dividend is received. One-half of the amount of a capital gains dividend will be included in the holder's income as a taxable capital gain for purposes of the Federal Act and the Saskatchewan Tax Act.

If and to the extent that the Fund increases the stated capital of the Subscriber Shares, as discussed below under the heading "**Income Tax Considerations - Dividend Refunds and Capitalization of Income**", an individual who holds Subscriber Shares will be deemed to have received a dividend equal to the amount of the stated capital increase in respect of his or her Subscriber Shares. The deemed dividend will be subject to the treatment generally applicable to dividends or capital gains dividends, as the case may be, paid on the Subscriber Shares. See "**Income Tax Considerations - Dividend Refunds and Capitalization of Income**".

**A holder of a Subscriber Share will not receive any cash distribution in respect of a deemed dividend or a deemed capital gains dividend. Accordingly, an individual holder may be liable to pay tax in respect of a deemed dividend or a deemed capital gains dividend even though the holder will not have received a cash distribution from the Fund with which to pay the tax.**

A holder of a Subscriber Share which is a RRSP or RRIF is exempt from tax on the amount of any dividend, deemed dividend or capital gains dividend.

### *Disposition of Subscriber Shares*

In general, a disposition or a deemed disposition (including a redemption) of a Subscriber Share which is capital property will give rise to a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition of such a share, net of any costs of disposition, exceed (or are less than) the adjusted cost base of such a share to the holder thereof. In calculating a holder's gain or loss, the cost to the holder of a particular Subscriber Share will be determined by averaging the cost of that Subscriber Share with the adjusted cost base of all Subscriber Shares held as capital property at that time by the holder. A holder's adjusted cost base of a

Subscriber Share will be increased by the amount of any deemed dividend or deemed capital gains dividend arising as a result of the capitalization of income described under the heading "**Income Tax Considerations - Dividend Refunds and Capitalization of Income**". The Federal Tax Credit and the Provincial Tax Credit will not reduce the adjusted cost base of the Subscriber Shares.

A capital loss that would otherwise arise on the disposition of a Subscriber Share will be reduced by the amount of the Federal Tax Credit and the Provincial Tax Credit received in respect of the Subscriber Share by the holder of the Subscriber Share (or by a person with whom the holder does not deal at arm's length) to the extent that the amount of such tax credits have not previously reduced a capital loss in respect of the Subscriber Share.

Any capital loss realized by a holder of a Subscriber Share on the sale or transfer of a Subscriber Share to a RRSP or RRIF under which the holder or his or her spouse or common law partner is the annuitant will be deemed to be nil.

One-half of any capital gain or capital loss will be the holder's taxable capital gain or allowable capital loss, as the case may be. Taxable capital gains must be included in computing the holder's income. Allowable capital losses in excess of taxable capital gains may generally be carried back three years and carried forward indefinitely for deduction against taxable capital gains realized in those years in accordance with and subject to the rules contained in the Federal Act. Capital losses carried back will be deductible at the inclusion rate for capital gains in the year in which the loss is carried back.

### ***Redemption of Subscriber Shares***

On the redemption of a Subscriber Share, the redemption proceeds will be treated as proceeds of disposition of the share and the holder thereof will be deemed to have realized a capital gain (or capital loss) equal to the amount by which the redemption proceeds, net of any costs of disposition, exceed (or are less than) the adjusted cost base of such Subscriber Share to the holder thereof. **See "Income Tax Considerations - Federal Taxation of Shareholders - Disposition of Subscriber Shares"**. On a redemption of a Subscriber Share, the proceeds of disposition will include any amount withheld from the redemption proceeds and paid to the Receiver General or to the Saskatchewan Minister as a return of the Federal Tax Credit or the Provincial Tax Credit, as the case may be.

On the redemption of a Subscriber Share prior to the expiry of the eight year holding period, the Fund shall be required to withhold from the redemption proceeds and pay to the Receiver General and Saskatchewan Minister a penalty in an amount equal to the Federal Tax Credit and the Provincial Tax Credit, as the case may be, on such shares unless the Subscriber Shares that are to be redeemed were owned by a holder who has died.

### ***Minimum Tax***

The Federal Act provides for an alternative minimum tax applicable to individuals and trusts. Individuals and certain trusts are required to compute their "adjusted taxable income" which includes certain amounts which, for general income tax purposes, would be deductible or exempt. Taxable dividends (without application of dividend gross-up) and 80% of capital gains are included in "adjusted taxable income". Individuals and certain trusts are entitled to claim an annual basic exemption of \$40,000. A minimum tax is applied to the amount by which "adjusted taxable income" exceeds the basic exemption. If the minimum tax so calculated exceeds the tax otherwise payable, the minimum tax is payable; however, it may be carried forward to offset tax payable in a future year in accordance with and subject to rules contained in the Federal Act. The Saskatchewan Tax Act imposes a similar minimum tax. The Federal Tax Credit and Provincial Tax Credit may not be applied to reduce a holder's liability for alternative minimum tax.

### **Provincial Taxation of Shareholders**

Under the Saskatchewan Tax Act, an individual who is resident in Saskatchewan on the last day of a taxation year is generally liable for basic Saskatchewan tax equal to a specific percentage of the individual's taxable income, generally as determined for purposes of the Federal Act.

### **Federal Taxation of the Fund**

The Fund is a "private corporation" and, as a registered labour-sponsored venture capital corporation under the Saskatchewan Act, will be a "mutual fund corporation" for the purposes of the Federal Act. As a corporation resident in Canada, the Fund is required to calculate its income or loss for each taxation year, file income tax returns and pay tax at normal corporate rates.

### **Dividends**

Any dividends received by the Fund from taxable Canadian corporations will generally not be subject to tax.

## Capital Gains and Losses

The Fund has elected, in accordance with the Federal Act, to have each of its "Canadian securities" (as defined in the Federal Act) treated as capital property. Provided the Fund is not a "trader or dealer in securities", such an election will ensure that gains or losses realized by the Fund on the sale of Canadian securities are treated as capital gains or capital losses. Whether a taxpayer is a "trader or dealer in securities" is a question of fact. There can be no assurance that the Fund will not be considered to be a "trader or dealer in securities" for this purpose.

When the Fund sells, or otherwise disposes of a capital property, the proceeds of disposition will be characterized as a capital gain to the extent that such proceeds exceed the Fund's adjusted cost base of the property and the Fund's reasonable costs of disposition. If the proceeds of disposition are less than the adjusted cost base of the property, a capital loss will result. In certain circumstances, such a capital loss which arises in respect of a share disposed of by the Fund may be reduced by the amount of any dividends, including deemed dividends, which have been received by the Fund on such a share.

One-half of any realized capital gain or capital loss will be the Fund's taxable capital gain or allowable capital loss, as the case may be. The Fund's taxable capital gains for a year, net of any allowable capital losses, will be included in computing the Fund's income for tax purposes. Allowable capital losses of the Fund may be deducted only against taxable capital gains arising in the year, or a preceding or future year (in accordance with rules contained in the Federal Act). As a mutual fund corporation, the Fund will be entitled to refunds in accordance with the provisions of the Federal Act of substantially all tax paid with respect to net taxable capital gains if it pays or is deemed to have paid capital gains dividends or redeems Subscriber Shares.

## Interest and Other Investment Income

Interest and investment income, other than dividends in respect of shares of taxable Canadian corporations, will be included, net of reasonable expenses, in calculating the Fund's income subject to tax. The Fund will be eligible for a refund of a portion of the tax paid by it on such income (net of losses of the Fund) determined in accordance with the detailed rules in the Federal Act, if it pays or is deemed to have paid taxable dividends (other than capital gains dividends) to its shareholders.

## Dividend Refunds and Capitalization of Income

Management of the Fund has indicated that it intends to make appropriate elections under the Federal Act to enable it to capitalize, on a periodic basis, sufficient amounts of its capital gains and interest and other investment income in order to minimize taxes payable on net realized capital gains and on net investment income. In such a case, the Fund will be deemed to have paid a dividend on its then issued and outstanding Subscriber Shares equal to the amount added to the stated capital of the Subscriber Shares, and each holder of Subscriber Shares will be deemed to have received a dividend, or if the Fund so elects, a capital gains dividend, equal to the holder's proportionate share thereof even though the holder will not receive a cash distribution from the Fund. The adjusted cost base of the holder's Subscriber Shares will be increased by the amount of the deemed dividend.

In the case of a deemed capital gains dividend, one-half of such amount will be included in the holder's income as a taxable capital gain for the purposes of the Federal Act. If the Fund makes the election referred to above but does not designate a deemed dividend as a capital gains dividend, the amount of the deemed dividend will be included in the holder's income as an ordinary dividend and will be subject to the gross-up and dividend tax credit rules in the Federal Act. **See "Income Tax Considerations - Federal Taxation of Shareholders - Dividends"**.

A holder of a Subscriber Share will not receive any cash distribution in respect of a deemed dividend or a deemed capital gains dividend. The amount of any deemed dividend or deemed capital gains dividend resulting from an increase in the paid-up capital of the Subscriber Shares may entitle the Fund to a refund of tax otherwise paid or payable on its interest and other investment income (other than dividends in respect of shares of taxable Canadian corporations) or realized capital gains, as the case may be. **See "Income Tax Considerations - Capital Gains and Losses" and "Interest and other Investment Income"**.

## Provincial Taxation of the Fund

For the purposes of provincial corporate income tax, the Fund's aggregate income will be attributed to, and taxable in, those provinces in which it is earned. Notwithstanding the foregoing, none of the income of the Fund will be subject to tax in a particular province unless the Fund carries on business in such province through a permanent establishment as defined in the provincial corporate tax statute applicable to that particular province. Counsel has been advised by Management of the Fund that the Fund does not intend to carry on business through a permanent establishment in any province other than the province of Saskatchewan. Subject to this assumption, all of the Fund's aggregate income will be attributed to, and taxable in, the Province of Saskatchewan.

## ORGANIZATION AND MANAGEMENT DETAILS OF THE FUND

### Management of the Fund

#### *Directors and Officers of the Fund*

The Board of the Fund is comprised of nine (9) directors, five (5) of whom are nominated and elected by the Sponsor, and four (4) of whom are nominated and elected by the holders of the Subscriber Shares. The Sponsor, the holder of Class B Shares, has the right to nominate and elect a simple majority of the number of directors to be elected to the Board of the Fund unless, at the time of election of directors, there are no holders of Class A Shares, Class A-R Shares or Class C Shares wherein the Sponsor may then vote in respect of the election of the balance of the directors. The holders of the Subscriber Shares are entitled to elect the minority number of directors to be elected to the Board of the Fund being four (4) directors in number. Pat Field, a director elected by the Sponsor resigned effective August 10, 2011 and in accordance with *The Business Corporations Act* (Saskatchewan), effective October 20, 2011 the Board elected David Meyers as a director to fill the vacancy created by the resignation of Pat Field for the remainder of the vacated term, which expires December of 2012. At the annual general meeting of the shareholders of the Fund held on December 16, 2011, the Sponsor, as the holder of the Class B Shares, resolved to re-elect Bryan Glazer, whose term expired in December 2011 for a further one year term expiring December of 2012. At the December 16, 2011 annual general meeting of the shareholders of the Fund, the holders of the Subscriber Shares resolved to elect Brent Banda in the place of Wayne Steadman whose term expired in December 2011. Mr. Banda has been elected for a three year term expiring in December of 2014. Holders of Subscriber Shares have no right to elect, remove, or replace directors elected by the Sponsor, being a majority of the directors. See "**Organization and Management Details of the Fund - The Sponsor**" and "**Description of the Securities Distributed - Class A Shares and Class A-R Shares - Election of Directors**".

The name, municipality of residence, office within the Fund and principal occupation of each of the directors and officers of the Fund are set out below, along with the committees, if any, that the director is a member of:

#### **DIRECTORS:**

| <b>Name &amp; Municipality of Residence</b>                | <b>Position on the Board of the Fund</b> | <b>Principal Occupation</b>   | <b>Class A Shares and/or Class A-R Shares Owned or Controlled</b> |
|--|--|---|---|
| Ron Carlson <sup>2</sup><br>Regina, Saskatchewan           | Chairman & Director                      | Former National Representative and past Western Regional Vice-President & Administrative Vice-President of Communications, Energy & Paperworkers' Union of Canada | 3,273.065   |
| Michael Fix <sup>1,3</sup><br>Regina, Saskatchewan         | Vice-Chair & Director                    | Consultant  | Nil   |
| Kevin Stangeland <sup>1,2</sup><br>Rensselaer, Indiana     | Director                                 | Chief Executive Officer<br>UFR Urban Forest Recyclers Inc.  | Nil   |
| David Meyers<br>Saskatoon, Saskatchewan                    | Director                                 | Process Operator<br>ERCO Worldwide  | Nil   |
| Terry Schneider <sup>2</sup><br>Regina, Saskatchewan       | Director                                 | Process Operator<br>Consumers Cooperative Refinery Limited  | 500.892   |
| Kathy Zwick <sup>3</sup><br>Regina, Saskatchewan           | Director                                 | Assistant to the President<br>Local 649, Communications, Energy & Paperworkers' Union of Canada   | 2,426.364   |
| Douglas Frondall <sup>1,3</sup><br>Saskatoon, Saskatchewan | Director                                 | Partner & CEO<br>Virtus Group Chartered Accountants and Business Advisors LLP   | Nil   |

|   |          |   |           |
|---|----------|---|-----------|
| Bryan Glazer<br>Esterhazy, Saskatchewan | Director | President CEP Local 892                                       | 2,656.468 |
| Brent Banda<br>Saskatoon, Saskatchewan  | Director | President and Senior Consultant<br>Banda Marketing Group Inc. | 335.627   |

- 1 Member of the Audit/Valuation Committee. See "**Calculation of Net Asset Value - Valuation Policies and Procedures of the Fund - Audit/Valuation Committee**".
- 2 Member of the Investment Committee. See "**Investment Strategies - Investment Approval and Review Process**".
- 3 Member of the Governance and Nominating Committee. See "**Organization and Management Details of the Fund - Management of the Fund - Governance and Nominating Committee**".

#### OFFICERS:

| Name & Municipality of Residence      | Office  | Principal Occupation                               | Class A Shares and/or Class A-R Shares Owned or Controlled |
|---------------------------------------|---|--|--|
| Randy Beattie<br>Regina, Saskatchewan | President & Chief Executive Officer                             | Partner<br>PFM Capital (2010) Inc.                 | Nil  |
| Rob Duguid<br>Regina, Saskatchewan    | Vice-President, Chief Financial Officer and Corporate Secretary | Partner<br>PFM Capital (2010) Inc.                 | Nil  |
| Chris Selness<br>Regina, Saskatchewan | Vice-President, Investments                                     | Contractor to PFM Venture Capital Operations Inc.  | Nil  |
| Mike Merth<br>Regina, Saskatchewan    | Chief Compliance Officer  | Chief Financial Officer<br>PFM Capital (2010) Inc. | Nil  |

The directors and officers of the Fund, as a group, beneficially own, or control or direct, directly or indirectly, 9,192.416, or less than 0.1%, of the issued and outstanding shares of the Fund.

The following is a brief biographical description, including principal occupation for the last five years, of the directors and officers of the Fund:

Ron Carlson was the Administrative Vice-President for Communications, Energy & Paperworkers' Union of Canada until his retirement in the fall of 2005. Mr. Carlson was a National Staff Representative of Communications, Energy & Paperworkers' Union of Canada and previous to this position he served as an officer of Communications, Energy & Paperworkers' Union of Canada for twelve (12) years plus other positions such as Local Vice-President, Chief Steward and Shop Steward. Mr. Carlson was an active member of the Saskatchewan Federation of Labour on various committees and executive and was intimately involved with the Canadian Labour Congress on the Public Sector Review Committee. Mr. Carlson now provides requisite time to his duties as Chairman of the Fund.

Michael Fix was the Senior Vice-President, Corporate Development of Concentra Financial Services Association for the period 2002 to September 2011. Previously he was General Manager of Concentra Financial Services Association's commercial leasing business. Prior to joining Concentra Financial Services Association, Mr. Fix held senior and executive management positions with Crown Investments Corporation of Saskatchewan. Mr. Fix is or has been a director on a number boards, including a national venture capital company focused on early-stage ag-biotechnology opportunities. Mr. Fix is now a financial consultant and provides requisite time to his duties as Vice-Chair of the Fund.

Terry Schneider was born and raised in Regina, Saskatchewan. He graduated from the University of Regina in 1980 with a B. Ed majoring in secondary science. Mr. Schneider has been employed by the Consumers Coop Refinery/Upgrader Complex for the past 25 years. He currently sits as a director on the board of Sherwood Co-op Association. Mr. Schneider is the Secretary-Treasurer of Communications, Energy & Paperworkers' Union of Canada, Local 594 and sits on the National Executive Board of Communications, Energy & Paperworkers' Union of Canada.

David Meyers has been employed as a Process Operator for ERCO Worldwide for the past 28 years. He received his Bachelor of Education from the University of Saskatchewan in 1985 and later acquired his Labour Studies Certificate from the University of Saskatchewan. David has been the United Way Workplace chairperson since 1996, CEP Local 609 Treasurer since 2003 and was Board Chair of the SIAST Power Engineering Advisory Board (member since 2005). David is also an organic grain farmer.

Kathy Zwick has been employed by SaskPower since 1975, and is a member of Communications, Energy & Paperworkers' Union of Canada, Local 649. She has held numerous positions in the local union, the most current of which is Assistant to the Local 649 President.

Douglas Frondall is a Partner and CEO of Virtus Group Chartered Accountants and Business Advisors LLP, of Saskatoon, Saskatchewan. Mr. Frondall has experience in owner managed enterprises in the manufacturing, farming, wholesale, construction, accommodation and healthcare industries. Mr. Frondall graduated from the University of Saskatchewan in 1986 with a Bachelor of Commerce in Accounting, and became a Chartered Accountant in 1990. Mr. Frondall became a Certified Management Consultant in 1993, a Certified Valuation Analyst (U.S. Business Valuation Designation) in 2001 and a Chartered Merger & Acquisition Professional in 2010.

Bryan Glazer was born and raised in Esterhazy, Saskatchewan. Bryan has been employed at Mosaic (Potash Mine) just outside of Esterhazy since the fall of 1981 and is a member of the Communications, Energy & Paperworkers' Union of Canada, Local 892. Bryan has been very active in the Union holding various positions since 1982 and is currently the President of Local 892.

Kevin Stangeland received his Bachelor of Commerce Degree from the University of Calgary in 1984. Mr. Stangeland articulated with Touche Ross & Company and received his chartered accountant designation in 1987. From 1987 to 1993 Mr. Stangeland held various financial and strategic planning positions with North Canadian Oils Ltd., culminating in the position of Director, Project Development. In 1993, Mr. Stangeland co-founded UFR Urban Forest Recyclers Inc., a molded paper products recycling firm located in Swift Current, Saskatchewan and is that company's Chief Executive Officer and President. Mr. Stangeland is a past Chairman of Churchill Energy Inc., a TSX Venture oil and gas company, and is very active in industry and local organizations. Kevin Stangeland currently conducts his duties as CEO of UFR Urban Forest Recyclers Inc. from the company's United States plant location in Brook, Indiana.

Brent Banda is the President and Senior Consultant of Banda Marketing Group Inc., a strategic marketing consulting firm. Since 1997 his group has provided consulting services to 150 companies in a wide variety of industries including owner-managed business, industry and community organizations and divisions of large publicly traded companies. Brent received his Bachelor of Commerce and his Masters of Business Administration from the University of Saskatchewan in 1997 and 2001 respectively. Brent currently serves on several boards including the North Saskatoon Business Association and the Saskatoon Club. He has previously been a director for Family Service Saskatoon, Saskatoon Community Service Village, Saskatoon Ideas Inc. as well as various other business and leadership associations over the years.

Randy Beattie is a founder, President and CEO of PFM Capital (2010) Inc., a private equity management firm and successor to TBW Holdings Inc. (formerly PFM Capital Inc.). The predecessor partnership, Prairie Financial Management, was established in 1989 and over ten years developed into a full range practice specializing in corporate finance, business planning, feasibility assessment, self employment training and venture capital fund management. Mr. Beattie is a Certified Management Consultant and has extensive experience in private equity management. Mr. Beattie is President and CEO of Prairie Ventures GP Inc., the general partner of Prairie Ventures Limited Partnership, an institutional venture capital fund; President and CEO of Apex Investment GP Inc., the general partner of Apex Investment Limited Partnership and the President and CEO of Saskatchewan Entrepreneurial Fund Joint Venture. As a representative of the Fund, he holds several directorships in investee companies, including Koenders Windmills Inc. and Prairie Hog Production Inc., the general partner of Prairie Hog Production Limited Partnership. In August 2006 Koenders Windmills Inc. and Randy Beattie, a director of that company, in his capacity as Chief Executive Officer of the Fund, were jointly named, together with other defendants, in a law suit alleging damages for the failure of Koenders Windmills Inc. to contract with a specific commercial agent for product distribution in China. A statement of defence has been filed denying the plaintiff's allegations. Mr. Beattie is also a director of the Saskatchewan Chamber of Commerce and Canadian Venture Capital Association and holds several directorships in investee companies, including Crusader Drilling Corp., Hi-Tec Profiles Inc., Visima Holdings Inc. and Pro Metal Industries Ltd.

Rob Duguid is a partner with PFM Capital (2010) Inc., a private equity management firm and successor to TBW Holdings Inc. (formerly PFM Capital Inc.). From 2000 to 2003, Mr. Duguid was a partner with Crown Capital Partners Inc. From 1994 to 2000, Mr. Duguid was Vice President, Investments with the Saskatchewan Government Growth Fund Management Corporation ("SGGF"). SGGF owned a group of immigrant investor funds, with over \$155 million under management, making it at the time one of the largest of such funds in Canada. Prior to joining SGGF, Mr. Duguid was Vice-President, Finance and Investments with the International Centre for Agricultural Science and Technology ("ICAST"). Mr. Duguid held this position from 1992 to 1994. ICAST's mandate was to assist Canada's agrifood industry in the commercialization of new products and technology. Before joining ICAST in 1992, Mr. Duguid was a Manager with Peat Marwick Stevenson and Kellogg Management Consultants, now known as KPMG. Mr. Duguid

was responsible for the Regina practice of this national management consultancy at the time of his departure in 1992. During his six years at KPMG and predecessor firms, Mr. Duguid conducted business planning, market strategy and research, economic impact, and strategic planning assignments for clients located across Canada, as well as in the United States and Europe. Mr. Duguid graduated with a Bachelor of Business Administration (distinction) from the University of Regina. He currently holds several directorships in investee companies, including, Crestline Coach Ltd., Hi-Tec Profiles Inc., Pro Metal Industries Ltd., I.M.Wireless Communications Inc., TriWestern Energy Corp., StorageVault Canada Inc., Hesterman Technical Services Inc., Rotex Energy Inc., Factory Optical Management Inc., Visima Holdings Inc., Norsask Farm Equipment Ltd., Crusader Drilling Corp., Sky Harbour Developments GP Inc. and Cathedral Village Developments GP Inc.

Chris Selness is contracted to PFM Venture Capital Operations Inc., the Manager of the Fund and serves as the Fund's Vice-President of Investments. Prior to October 1, 2004, Mr. Selness was a partner of Crown Capital Partners Inc., a venture capital management firm. Mr. Selness was an executive of Crown Life Insurance Company from 1996 to 2002, holding senior positions in the Group Insurance Division, Investments, and Human Resources, executing several successful turnarounds. Mr. Selness also spent twelve months working for The Canada Life Assurance Company, assisting that company with the integration of Crown Life's group insurance operations. Mr. Selness began his career in the financial services industry in Toronto in 1987 as a currency trader with the Investment Banking division of the Royal Bank and subsequently moved to Merrill Lynch Canada's Mergers and Acquisitions unit. In 1990 Mr. Selness joined Abitibi-Price Inc. (now Abitibi-Consolidated) and had responsibility for developing the organization's \$3 billion dollar currency/interest rate risk management programs, and was involved in the organization's corporate development activities. Mr. Selness holds a Chartered Financial Analyst designation, as well as an MBA from University of British Columbia, and a Bachelor of Commerce Degree from the University of Saskatchewan. He holds several directorships in investee companies, including Hesterman Technical Services Inc., Prairie Hog Production Inc. and Community Electric Ltd.

Officers of the Fund will devote such time and attention to the business and affairs of the Fund as may be required to adequately fulfill their duties and obligations to the Fund arising out of their respective positions.

Effective October 20, 2011 the Board elected David Meyers as a director to fill the vacancy created by the resignation of Pat Field for the remainder of the vacated term, which expires December of 2012. At the annual general meeting of the Fund held on December 16, 2011 the Sponsor, as the holder of the Class B Shares, resolved to re-elect Bryan Glazer, whose term expired in December 2011 as a director for a further one year term. The terms of office of the existing Class B shareholder elected directors are as follows:

| <b>Class B Shares Director</b> | <b>Date Appointed</b> | <b>Term</b>                 |
|--------------------------------|-----------------------|-----------------------------|
| Ron Carlson                    | December 17, 2010     | 2 year term                 |
| Terry Schneider                | December 17, 2010     | 3 year term                 |
| David Meyers                   | October 30, 2011      | 1 year term (December 2012) |
| Kathy Zwick                    | December 18, 2009     | 3 year term                 |
| Bryan Glazer                   | December 16, 2011     | 1 year term                 |

At the annual general meeting of the Fund held on December 16, 2011 the holders of the Subscriber Shares resolved to elect Brent Banda for a three year term expiring in 2014. The terms of office of the directors elected by the holders of the Subscriber Shares are as follows:

| <b>Class A Shares Director</b> | <b>Date Appointed</b> | <b>Term</b> |
|--------------------------------|-----------------------|-------------|
| Kevin Stangeland               | December 17, 2010     | 3 year term |
| Michael Fix                    | December 17, 2010     | 3 year term |
| Douglas Frondall               | December 17, 2010     | 2 year term |
| Brent Banda                    | December 16, 2011     | 3 year term |

The bylaws of the Fund provide that three year rotating terms for the 9 directors of the Fund be implemented.

#### ***Governance and Nominating Committee***

The Board has established a Governance Committee consisting of three members of the Board. The Governance Committee reviews disclosure and compliance matters for the information and approval of the Board. This Committee meets at least twice a year.

The objective of the Governance and Nominating Committee is to maintain strong corporate governance standards for the Fund, and its duties include:

- (i) identifying and dealing with conflicts of interest at the Board level;

- (ii) identifying potential new Board members;
- (iii) evaluating performance of Board committees and Board members; and
- (iv) facilitating continuing education for Board members and orientation for new Board members.

The Fund is responsible for the fees and expenses of the Governance and Nominating Committee. See "**Fees and Expenses - Fees and Expenses Payable by the Fund - Remuneration of Directors**".

### *The Manager*

The Manager is a corporation incorporated under *The Business Corporations Act* (Saskatchewan), having its registered office and principal place of business at 1925 Victoria Avenue, 2nd Floor, Regina, Saskatchewan S4P 0R3. In addition to being the manager of the Fund, the Manager is also the portfolio manager of the Fund.

### Duties and Services to be provided by the Manager - Management Agreement

Pursuant to the Management Agreement the Manager has been retained to manage and administer the business affairs of the Fund, including the management of the Fund's investment in eligible businesses and its liquid portfolio investments.

The Manager has agreed that it shall devote such time and attention as may be required to fulfill its obligations under the Management Agreement. The Management Agreement is for an initial term of eight years, and is renewable thereafter automatically for successive two year terms, until earlier terminated in accordance with its provisions which include: (i) the right to terminate by mutual agreement of the parties; (ii) the right of the Fund to terminate where the Manager has become bankrupt; and, (iii) the right of the Manager to terminate the Management Agreement effective as of the end of the initial term or any subsequent two-year renewal period provided that notice of such termination is properly delivered to the Fund in accordance with the Management Agreement. Further, the Management Agreement may be terminated by the Fund in the event of a default by the Manager in the due observance or performance of any of its material obligations contained in the Management Agreement where notice of such default is given to the Manager and the Manager has not remedied such default within 30 days after such notice is received. After the expiration of the initial eight year period following the inception of the Fund, the Manager became entitled to receive IPA payments on an annual basis. The Fund proposes to have its securityholders consider confirmation in the Management Agreement in 2012 that in the event of termination of the Manager, the Manager shall continue to be entitled to its Base Fee and an allocation for IPA on unrealized gains to the date of termination, such IPA to be as valued by the Auditor. If dispute were to exist over the Auditor's valuation, each of the Fund and the Manager would appoint an independent business valuator and the average of the three valuations would determine the amount of the IPA to be paid to the Manager on unrealized gains as of the date of termination.

Pursuant to the Management Agreement, the duties of the Manager include the following:

- seeking out and identifying investment opportunities using any available sources, including labour organizations, contractors, developers, financial institutions, pension funds, government and crown agencies and other venture capital funds;
- undertaking operational due diligence of investment opportunities;
- developing, negotiating and presenting investment recommendations to the Board;
- ongoing monitoring of all investments;
- providing investment advice for the Fund's liquid portfolio investments, unless this function is subcontracted to a third party approved by the Board;
- providing performance reports to the Board;
- making disposition recommendations;
- managing (at the Fund's expense) compliance with the requirements of all regulators and applicable legislation;
- ensuring investors and regulators receive appropriate and timely reporting through the management (at the Fund's expense) of investor relations activities; and
- managing the accounting function (at the Fund's expense) to ensure appropriate systems and controls to manage and safeguard assets and to facilitate reporting for both accounting and tax purposes.

The Fund's Sponsor and investors may propose investment opportunities for consideration by the Fund. The acceptance of any such proposals will be subject to the Fund's regular approval process, including suitability under the Fund's investment criteria and the normal due diligence process.

Directors and Officers of the Manager of the Fund

The name, municipality of residence, office with the Manager and principal occupation of each of the directors and officers of the Manager are set forth below:

| <b>Name and Municipality of Residence</b> | <b>Office</b>                                    | <b>Principal Occupation</b>                             | <b>Class A Shares and/or Class A-R Shares Owned or Controlled</b> |
|---|--|---|---|
| Randy Beattie<br>Regina, Saskatchewan     | President & Chief Executive Officer & Director   | Partner<br>PFM Capital (2010) Inc.                      | Nil   |
| Rob Duguid<br>Regina, Saskatchewan        | Vice-President<br>Corporate Secretary & Director | Partner<br>PFM Capital (2010) Inc.                      | Nil   |
| Chris Selness<br>Regina, Saskatchewan     | Vice-President, Investments                      | Contractor to<br>PFM Venture Capital<br>Operations Inc. | Nil   |
| Michael Merth<br>Regina, Saskatchewan     | Chief Financial Officer                          | Chief Financial Officer<br>PFM Capital (2010) Inc.      | Nil   |

The following is a brief biographical description, including principal occupation for the last five years, of the officers and directors of the Manager.

Randy Beattie is a founder, President and CEO of PFM Capital (2010) Inc., a private equity management firm and successor to TBW Holdings Inc. (formerly PFM Capital Inc.). The predecessor partnership, Prairie Financial Management, was established in 1989 and over ten years developed into a full range practice specializing in corporate finance, business planning, feasibility assessment, self employment training and venture capital fund management. Mr. Beattie is a Certified Management Consultant and has extensive experience in private equity management. Mr. Beattie is President and CEO of Prairie Ventures GP Inc., the general partner of Prairie Ventures Limited Partnership, an institutional venture capital fund; President and CEO of Apex Investment GP Inc., the general partner of Apex Investment Limited Partnership and the President and CEO of Saskatchewan Entrepreneurial Fund. As a representative of the Fund, he holds several directorships in investee companies, including Koenders Windmills Inc. and Prairie Hog Production Inc., the general partner of Prairie Hog Production Limited Partnership. In August 2006 Koenders Windmills Inc. and Randy Beattie, a director of that company, in his capacity as Chief Executive Officer of the Fund, were jointly named, together with other defendants, in a law suit alleging damages for the failure of Koenders Windmills Inc. to contract with a specific commercial agent for product distribution in China. A statement of defence has been filed denying the plaintiff's allegations. Mr. Beattie is also a director of the Saskatchewan Chamber of Commerce and Canadian Venture Capital Association and holds several directorships in investee companies, including Crusader Drilling Corp., Visima Holdings Inc., Hi-Tec Profiles Inc. and Pro Metal Industries Ltd.

Rob Duguid is a partner with PFM Capital (2010) Inc., a private equity management firm and successor to TBW Holdings Inc. (formerly PFM Capital Inc.). From 2000 to 2003, Mr. Duguid was a partner with Crown Capital Partners Inc. From 1994 to 2000, Mr. Duguid was Vice President, Investments with the Saskatchewan Government Growth Fund Management Corporation ("SGGF"). SGGF owned a group of immigrant investor funds, with over \$155 million under management, making it at the time, one of the largest of such funds in Canada. Prior to joining SGGF, Mr. Duguid was Vice-President, Finance and Investments with the International Centre for Agricultural Science and Technology ("ICAST"). Mr. Duguid held this position from 1992 to 1994. ICAST's mandate was to assist Canada's agrifood industry in the commercialization of new products and technology. Before joining ICAST in 1992, Mr. Duguid was a Manager with Peat Marwick Stevenson and Kellogg Management Consultants, now known as KPMG. Mr. Duguid was responsible for the Regina practice of this national management consultancy at the time of his departure in 1992. During his six years at KPMG and predecessor firms, Mr. Duguid conducted business planning, market strategy and research, economic impact, and strategic planning assignments for clients located across Canada, as well as in the United States and Europe. Mr. Duguid graduated with a Bachelor of Business Administration (distinction) from the University of Regina. He currently holds several directorships in investee companies, including Crestline Coach Ltd., Hi-Tec Profiles Inc., Rotex Energy Inc., Pro Metal Industries Ltd., I.M. Wireless Communications Inc., TriWestern Energy Corp., StorageVault Canada Inc., Hesterman Technical Services Inc., Factory Optical Management Inc., Visima Holdings Inc., Norsask Farm Equipment Ltd., Crusader Drilling Corp., Sky Harbour Developments GP Inc. and Cathedral Village Developments GP Inc.

Chris Selness is contracted to PFM Venture Capital Operations Inc., the Manager of the Fund, and serves as the Fund's Vice President of Investments. Prior to October 1, 2004, Mr. Selness was a partner of Crown Capital Partners Inc., a venture capital management firm. Mr. Selness was an executive of Crown Life Insurance Company from 1996 to 2002, holding senior positions in the Group

Insurance Division, Investments, and Human Resources, executing several successful turnarounds. Mr. Selness also spent twelve months working for The Canada Life Assurance Company, assisting that company with the integration of Crown Life's group insurance operations. Mr. Selness began his career in the financial services industry in Toronto in 1987 as a currency trader with the Investment Banking division of the Royal Bank and subsequently moved to Merrill Lynch Canada's Mergers and Acquisitions unit. In 1990 Mr. Selness joined Abitibi-Price Inc. (now Abitibi-Consolidated) and had responsibility for developing the organization's \$3 billion dollar currency/interest rate risk management programs, and was involved in the organization's corporate development activities. Mr. Selness is a holder of the Chartered Financial Analyst designation, as well as a MBA from University of British Columbia, and a Bachelor of Commerce Degree from the University of Saskatchewan. He holds or has held several directorships in investee companies, including Hesterman Technical Services Inc., Prairie Hog Production Inc. and Community Electric Ltd.

Mike Merth is the Chief Financial Officer of PFM Capital (2010) Inc. (the successor to TBW Holdings Inc. (formerly PFM Capital Inc.)) and of PFM Venture Capital Operations Inc., the Manager of the Fund. Mr. Merth holds a Bachelor of Science and a Bachelor of Administration from the University of Regina and is both a Chartered Accountant and Certified Management Accountant. Prior to joining PFM Venture Capital Operations Inc., Mr. Merth was the controller of Crown Capital Partners Inc., a venture capital management firm and prior to this position, he was the controller of Saskatchewan Government Growth Fund Management Corporation, a provincial Crown corporation that managed venture capital funds under the federal government's Immigrant Investor Program. In 2010, Mr. Merth completed the education qualifications and became registered as the Chief Compliance Officer of the Fund under National Instrument 31-103 - *Registration Requirements and Exemptions*.

None of the Manager, its directors, officers or employees will enter into any arrangement whereby they receive a fee or benefit from the purchase or sale of the Fund's investment portfolio, without the consent of the Board of the Fund.

The officers and directors of the Manager collectively have extensive experience in venture capital fund management and extensive senior management experience in the areas of corporate finance, portfolio management, banking, insurance and risk management. The officers and directors collectively have direct experience in all aspects of the venture capital industry including sourcing capital, identifying investee businesses, evaluating their merits, conducting due diligence, negotiating terms and conditions of the investment and subsequent to investments being made, evaluating and realizing on the performance of the investment.

#### Principal Holders of Securities of the Manager of the Fund

TBW Holdings Inc. (formerly PFM Capital Inc.) and Blueberry & Papaya Farms Ltd. are the registered holders of all of the issued and outstanding share capital of the Manager. TBW Holdings Inc. is owned by Randy Beattie and Rob Duguid through their respective holding companies. Blueberry & Papaya Farms Ltd. is owned by Chris Selness and his spouse.

#### Consulting and Placement Fees

Any placement or other fee paid by an investee in respect of an investment of the assets of the Fund shall be for the account of the Fund. Fees generated for any consulting or financial services provided by the Manager to an investee beyond the scope of services required in fulfilling its duties under the Management Agreement will be for the account of the Manager. Prior to accepting any direct assignments for services, the Manager will obtain the prior approval of the Fund.

#### Conflicts of Interest

The Fund may be subject to various conflicts of interest due to the fact that the Manager and its directors, officers and shareholders are or will be engaged in a wide range of management, advisory and other business activities. The Manager and any of its officers' investment decisions for the Fund will be made independently of those made for the other clients of the Manager and any of its officers. However, on occasion, the Manager may, on behalf of the Fund, make an investment in a company in which the Manager or its officers have also made an investment of a similar or different nature for one or more other clients of, or funds managed by the Manager or its officers. In such circumstances, the Manager will ensure that such transactions will be effected on an equitable basis, with no preferential treatment to be given to a client which is adverse to the interests of the Fund. It is currently a policy of the Fund not to invest or lend money to any eligible business in which a director, officer or employee of the Manager has a material interest, whether such interest is direct or indirect. Subsequent to an investment however, a director, officer or employee of the Manager may, as a representative of the Fund, become a director of an investee business.

The services of the Manager under the Management Agreement are not exclusive, and nothing in the Management Agreement will prevent the Manager, or any Affiliate thereof, from providing similar services to other investment funds and other clients (whether their investment objectives and policies are similar to those of the Fund) or from engaging in other activities.

## **Portfolio Manager**

The Manager provides the services of portfolio manager to the Fund, with the fees for such services being included within the annual fees paid to the Manager by the Fund. See "**Fees and Expenses - Management Fees and Expenses**".

## **Independent Review Committee**

As required by NI 81-107 an IRC has been established for the Fund. A charter has been adopted and policies and protocols have been implemented by the Manager and the IRC in compliance with NI 81-107. The primary responsibility of the IRC is to provide for the independent review and oversight of conflicts of interest faced by the Manager in managing the Fund. The IRC will review and make recommendations with respect to all conflict of interest matters that are referred to it by the Board or the Manager. The IRC will undertake an annual review of, among other things, its charter and the Manager's written policies and procedures for dealing with conflict of interest matters.

The current members of the IRC are Berny Gross, of Regina, Saskatchewan, an entrepreneur and owner of a mechanical contracting company, who has been appointed for a three year term (expiring in 2013); William Johnson, Q.C., B.A., LL.B., B.C.L. (OXON), lawyer and partner of the law firm of Gerrand Rath Johnson of Regina, Saskatchewan, who has been re-appointed for a three year term expiring in 2014; and Douglas Johnson, C.A., of Regina, Saskatchewan, who has been re-appointed for a three year term expiring in 2014.

The Fund indemnifies the members of the IRC and provides insurance against liability incurred in their role as committee members. The Fund is not aware of any claim or potential claim which is outstanding or which would require submission by the Fund to this liability insurance.

The Fund is responsible for the fees and expenses of the IRC. See "**Fees and Expenses - Fees and Expenses Payable by the Fund - Remuneration of Members of the IRC**".

The IRC is responsible to report annually to shareholders and an annual committee report is required to be filed on SEDAR, which report will include the remuneration paid to and the scope of the activities of the IRC during the applicable reporting period. The IRC annual committee report for the fiscal year ended August 31, 2011 was filed on SEDAR on November 14, 2011. A copy of the report is also available on the Fund's website at [www.saskworks.ca](http://www.saskworks.ca) or by request, at no charge, by writing to the Fund at 1925 Victoria Avenue, 2nd Floor, Regina, Saskatchewan, S4P 0R3.

## **The Sponsor**

Since the inception of the Fund, Communications, Energy and Paperworkers' Union of Canada (Saskatchewan Area Council), a trade union as defined in *The Trade Union Act* (Saskatchewan), has been the sponsor of the Fund.

In 2009, certain Saskatchewan Area Locals of Communications, Energy and Paperworkers' Union of Canada, and with the approval of Communications, Energy and Paperworkers' Union of Canada, adopted a constitution and bylaws for the express purpose of acting collectively as the sponsor of the Fund under the name "**SaskWorks Federation of Unions**" and the holder of the Class B Shares of the Fund. Pursuant to the Sponsorship Agreement, the Sponsor acts as the sponsor of the Fund as required by the Saskatchewan Act and the Federal Act, as successor to Communications, Energy and Paperworkers' Union of Canada (Saskatchewan Area Council), and the holder of the Class B Shares of the Fund effective as and from December 1, 2009. The principal office of the Sponsor is at 111, 2709 12th Avenue, Regina, Saskatchewan, S4T 1J3.

The objectives of the Sponsor in sponsoring the Fund are to give investors, including unionized workers, investment opportunities which may not otherwise be available to them, and to encourage investment in eligible Saskatchewan small and medium-sized businesses, thereby fostering job creation throughout Saskatchewan.

## **Auditors**

The auditors of the Fund are MNP LLP, Chartered Accountants, Suite 900 - 2010 11 Avenue, Regina, Saskatchewan, S4P 0J3.

## **Registrar and Transfer Agent**

Under the Services Agreement, Prometa Fund Support Services Inc. has been retained to act as the registrar and transfer agent for the Fund. Under the terms of the Services Agreement the Transfer Agent provides certain services to the Fund, including services relating to processing of sales orders, dissemination of the Fund's continuous disclosure materials under NI 81-107 to shareholders and

maintaining shareholder records at the Transfer Agent's principal place of business at 501, 211 Bannatyne Avenue, Winnipeg, Manitoba, R3B 3P2 (including a register of transfers of Subscriber Shares). Under the terms of the Services Agreement, the Transfer Agent is entitled to a fee for its services.

### **Custodian**

Under the Custodial Agreement CIBC Mellon Global Securities Services Company, being an asset servicing and custodial company, has agreed to act as custodian and hold the portfolio securities of the Fund in safekeeping for the Fund. The address of CIBC Mellon Global Securities Services Company is 320 Bay Street, P.O. Box 1, Toronto, Ontario, M5H 4A6. See "**Purchase of Securities (Plan of Distribution) - Custodial Agreement**".

### **Promoters**

The Manager and the Sponsor may be regarded as a promoter of the Fund. Neither of these promoters receives any remuneration or other thing of value in consideration for being a promoter of the Fund. The Sponsor, in its capacity as such, has received 10 Class B Shares of the Fund, being all of the issued and outstanding Class B Shares of the Fund. See "**Organization and Management Details of the Fund - The Sponsor**". The Manager receives remuneration in consideration for acting in the capacity as Manager to the Fund. The Manager has agreed to advance to the Fund monies to pay for certain of the costs and expenses of the Fund. The Manager does not hold any securities of the Fund. See "**Organization and Management Details of the Fund - The Manager**" and "**Fees and Expenses - Fees and Expenses Payable by the Fund - Management Fees and Expenses**".

## **CALCULATION OF NET ASSET VALUE**

### **Net Asset Value of the Fund**

The Net Asset Value of the Fund attributable to each share class is determined as at the last Business Day of each and every week by subtracting the aggregate amount of the Fund's liabilities attributable to each share class from the aggregate of (a) the value of the assets attributable to each share class, determined in the manner described above; (b) any unamortized balance of sales commissions and expenses (see "**Fees and Expenses - Fees and Expenses Payable by the Fund - Operating Expenses - Agent and Other Compensation**") attributable to each share class; and (c) the value of any other assets of the Fund attributable to each share class as reasonably determined by the Board.

Since February 1, 2004 the Fund was no longer responsible to pay Base Commission and Additional Commission on the sale of Subscriber Shares, but rather Conexus assumed this responsibility. See "**Purchase of Securities (Plan of Distribution) – Administrative Services Agreements**" and "**Fees and Expenses - Fees and Expenses Payable by the Fund- Agent and Other Compensation**". As a result of the foregoing, beginning January 1, 2004 no additional sales commissions are reflected as a deferred charge in the financial statements of the Fund. All fees and costs payable to the Agent, and other securities dealers involved in distributing the Fund's Subscriber Shares, in respect of services provided to the Fund, will be expensed in full at the time they are incurred and be charged against the net asset value of the Fund in accordance with GAAP. Such fees and expenses will include all management and marketing service fees and related costs payable to the Agent and other securities dealers, as outlined in this prospectus. See "**Fees and Expenses - Fees and Expenses Payable by the Fund - Agent and Other Compensation**".

The Net Asset Value per Share on the applicable date:

- with respect to the Class A Shares is obtained by dividing the Net Asset Value of the Fund on such date attributable to the Class A Shares as a result of investing the capital raised through the issuance of Class A Shares in investee businesses, after deducting a proportionate share of the stated capital of the Class B Shares and all declared or accumulated but unpaid dividends on the Class A Shares and a proportionate share of all declared or accumulated but unpaid dividends on the Class C Shares, if any, by the total number of the Class A Shares outstanding on such date; and
- with respect to the Class A-R Shares is obtained by dividing the Net Asset Value of the Fund less the Net Asset Value attributable to the capital raised through the issuance of Class A-R Shares, after deducting a proportionate share of the stated capital of the Class B Shares and all declared or accumulated but unpaid dividends on the Class A-R Shares and a proportionate share of all declared or accumulated but unpaid dividends on the Class C Shares, if any, by the total number of the Class A-R Shares outstanding on such date.

A purchaser, upon receiving a copy of this prospectus, shall receive either a copy of the annual audited financial statements or the semi-annual unaudited financial statements of the Fund, whichever was most recently filed with the Saskatchewan Financial Services Commission, before the date that the prospectus is sent or delivered to the purchaser.

The Net Asset Value per Share as determined in the foregoing manner from time to time may differ from the prices at which shareholders may be able to sell (subject to the restrictions on transfer) Subscriber Shares to third party purchasers.

### **Annual and Quarterly Valuations**

The Fund determines the value of its Subscriber Shares on an annual basis, as at the last business day of August in each year. In order to determine the annual value of the Subscriber Shares, the Fund engages the Auditors to review the fair value of the Fund's portfolio, in aggregate, prepared by the Manager to determine that such fair value is, in all material respects, reasonable. On a quarterly basis, the Manager prepares a valuation of the portfolio, and presents it to the Audit/Valuation committee of the Board of the Fund for approval. On an annual basis, the Manager prepares a valuation of the portfolio, and presents it to the Audit/Valuation committee, and the Board of the Fund for approval. Unless requested by the Auditors, annual independent valuations will not be conducted in respect of each investment within the Fund's portfolio. Should an independent valuation of any of the Fund's portfolio investments be requested by the Auditors, the Fund will arrange for a qualified independent third party to conduct a valuation. Such circumstances could impact negatively on the expenses of the Fund.

### **Valuation Policies and Procedures of the Fund**

#### *Audit/Valuation Committee*

The Board has established an Audit/Valuation Committee consisting of two members of the Board. The Audit/ Valuation Committee is responsible for monitoring valuation policies and procedures and for approving for adoption by the Board the valuation of the Fund portfolio. The members of the Audit/Valuation Committee are and will continue to be independent of the Manager. The Fund is responsible for the fees and expenses of the Audit/Valuation Committee. See "**Fees and Expenses - Fees and Expenses Payable by the Fund - Remuneration of Directors**".

#### *Valuation of Assets*

The value of the Fund for settlement and Net Asset Value purposes is determined by the Manager on a weekly basis. Quarterly valuations are prepared by the Manager as at the last day in each fiscal quarter and are presented to the Audit/Valuation Committee of the Fund for approval. On an annual basis, such valuations are presented to the Board for approval. Pursuant to applicable securities rules, the Fund is required to obtain the approval of its securityholders if the Net Asset Value of the Fund is calculated less frequently than weekly. See "**Calculation of Net Asset Value - Valuation Policies and Procedures of the Fund - Valuation of Assets for which a Published Market Exists and Valuation of Assets for which No Published Market Exists**".

#### *Valuation of Assets for which a Published Market Exists*

On Thursday of each week, the value of the Fund's assets for which there exists a published market is determined on the basis of the closing bid prices of such securities, or, if no sales of a particular security have been transacted on the date of valuation, then on the basis of that day's closing bid price or if there is no closing bid price, then on the basis of the most recent closing price. A reasonable discount to market may be used if the size of the investment is large relative to trading volumes of such securities or if trading is restricted in any way. For this purpose, a published market means any market on which such securities are traded if the prices are regularly published in a newspaper or business or financial publication of general and regular paid circulation or on security dealer quote systems.

#### *Valuation of Assets for which No Published Market Exists*

The value of the Fund's assets for which no published market exists is determined as at the last Business Day of each fiscal quarter on the basis of policies and procedures established by the Board for determining the fair market value of such assets. Quarterly valuations of assets for which a published market does not exist will be updated weekly to take into account any material changes in the assets of the Fund since the most recent quarterly valuation. In determining the value of such assets, the Manager is guided, where appropriate, but not bound by, the following criteria:

- investments are valued at estimated fair market value (the price that would be agreed upon in an open and unrestricted market between fully informed, knowledgeable and willing parties dealing at arm's length without constraint);

- the estimated fair market value of investments is determined on the basis of expected realizable value of the investments on a going concern basis or if appropriate on the basis that they were disposed of in an orderly disposition over a reasonable period of time, as appropriate;
- investments are written down to net realizable value where appropriate;
- new investments are normally carried at cost for 12 to 18 months, unless there is a substantial arm's length transaction which establishes a different value or there is a material change from the Fund's expectations;
- if there is a substantial arm's length, bona fide, enforceable offer or transaction with respect to an investment, values used in such offer or transaction may be used in the valuation of the investment if circumstances warrant. Similarly, if there is a valuation prepared by a qualified independent party, such valuation is considered to provide valid indication of fair market value of an investment;
- if the investment is progressing satisfactorily in relation to the Fund's expectations, a reasonable multiple of sustained earnings, cash flow, sales revenue or discounted cash flow (as considered appropriate) with a cross-reference to, and an assessment of, tangible asset value may be used;
- where shares of an entity in which an investment has been made becomes publicly traded, a reasonable discount to market will normally be used if the size of the investment is large relative to trading volumes of such shares or if trading is restricted in any way;
- short-term liquid debt instruments (having a term to maturity of 365 days or less) are valued at cost with accrued interest or discounts earned included in interest receivable;
- convertible securities are generally valued at the greater of their principal amount and their estimated fair market value as if they had been converted, in each case with such estimated fair market value being determined on the basis described above; and
- in the unusual event that the valuation policies and procedures described above are not appropriate to a particular investee business circumstance, then the Board may approve recommendations from the Manager regarding the use of appropriate valuation techniques for that investment.

Investments in debt instruments ("loans") are carried at fair value. For productive loans an estimate of fair value is determined using a discounted cash flow methodology with fluctuations in the fair value recorded as unrealized appreciation or depreciation that is amortized to income over the remaining term of the loan.

A loan is considered impaired if, because of deterioration in credit quality, there is no longer reasonable assurance of the timely collection of the full amount of outstanding principal and interest. A loan on which payments are in arrears for 90 days or more is usually classified as income impaired. Recognition of interest income ceases on income impaired loans until interest is received. On principal impaired loans a write-down or other provision is established, through unrealized depreciation, to reduce their carrying value to the estimated fair value of the underlying security. Recognition of interest income ceases on principal impaired loans with all cash received applied first to principal, until fully recovered, and then as income.

The process of valuing investments for which no published market exists is inevitably 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.

### **Reporting of Net Asset Value**

The Net Asset Value per Share is disclosed on the Fund's website (<http://www.saskworks.ca>) and can also be obtained by calling the Fund at 1-306-791-4833. The Net Asset Value per Share is updated on the website and over the phone at the commencement of the next business day following each Weekly Valuation Update.

### **Recent Developments**

The Canadian Accounting Standards Board has postponed the date International Financial Reporting Standards ("**IFRS**") will replace Canadian standards and interpretations as Canadian generally accepted accounting principles for investment companies. The IFRS will be effective for interim and annual financial statements with fiscal years beginning on or after January 1, 2013. As an investment company, the Fund will be required to prepare August 31, 2014 financial statements, including comparative information for 2013, in compliance with IFRS. The Fund is assessing the potential impact of the transition to IFRS on its financial statements and disclosures.

Recent changes in the state of the global economy may have some impact on the short-term performance of the Fund, however investors making an investment in the Fund do so on a long term basis (eight year redemption) and it is anticipated that this longer term investment cycle will assist in avoiding any negative erosion that may occur in the shorter term. Investors need to be cognizant of any potential impact that may occur due to the current global economic condition.

## DESCRIPTION OF SECURITIES DISTRIBUTED

### The Offering

Subscriber Shares are offered by the Fund on a continuous basis. The Subscriber Shares are offered at the Net Asset Value per Share attributable to such class of Subscriber Shares as at the close of business on the last business day of each week in which the subscription is received by the Fund, except those Subscriber Shares subscribed for subsequent to the last Weekly Valuation Update, but on or prior to the Cut-off Date, which will be issued for a purchase price equal to the Net Asset Value per Share as of the Cut-off Date. See "**Calculation of Net Asset Value – Net Asset Value of the Fund**". Subscriber Shares may only be issued to an individual who is a resident in Saskatchewan on the last day of the taxation year for which he/she applies for a tax credit, or to such individual's or to his or her spouse's or common law partner's RRSP. For an individual purchasing Subscriber Shares during the taxation year in respect of which he/she intends to apply for the tax credits applicable to such purchase, the onus rests with the individual to ensure that he/she is still resident in Saskatchewan (for purposes of payment of provincial income tax) on December 31st of that year. If this is not the case, such individual will not be eligible for the 20% Saskatchewan tax credit in respect of the purchase of the Subscriber Shares. See "**Income Tax Considerations - Tax Credits Available to First Purchaser of Class A Shares and Class A-R Shares**". The Fund may suspend offering Subscriber Shares and recommence offering Subscriber Shares at any time that the Fund, in its discretion, deems appropriate. The minimum initial subscription for Subscriber Shares is \$500 with a minimum subsequent subscription of \$100, subject to waiver by the Fund to accommodate preauthorized contribution plans and payroll deduction plans. Pursuant to the Saskatchewan Act, the maximum dollar amount of Subscriber Shares that can be issued in any one calendar year is \$50 million, and the maximum dollar amount of Subscriber Shares that can be issued by the Fund overall is \$500 million. Investors may invest all of their subscription in Class A Shares, in Class A-R Shares or in a combination of both classes of Subscriber Shares. Subscriptions will be received subject to rejection or allotment in whole or in part in the discretion of the Fund. The Subscriber Shares are offered for sale only through registered dealers or other persons licensed to sell Subscriber Shares of the Fund. See "**Purchase of Securities (Plan of Distribution)**".

The Fund will initially hold the proceeds in cash or invest the proceeds in investment grade securities, consisting of guaranteed investment certificates, government bonds, provincial term deposits or schedule I chartered bank term certificates prior to being invested in eligible businesses. See "Use of Proceeds". As at October 31, 2011 unrealized appreciation on venture investments accounted for \$11,031,020 of the carrying value of existing investments, or 6.4% of the Fund's net assets attributable to the capital raised through the issuance of Class A Shares and \$9,619,513 of the carrying value of existing investments, or 16.1% of the Fund's net assets attributable to the capital raised through the issuance of Class A-R Shares. See "**Sectors and Investments**". As at the date of this prospectus, the Sponsor is the registered holder of 10 Class B shares (being all of the issued and outstanding Class B Shares).

Each separate class of shares of the Fund will have its own eligible venture investments that will be made using only the subscription proceeds raised through the issuance of that class of shares. While it is possible that each separate class of shares of the Fund may invest in the same eligible venture investment, subject to the class of share's venture investment concentration limits, the venture investment made by each class of shares of the Fund is recorded and held only within that class of shares. Any income or losses that are attributable to a particular venture investment are allocated only to the separate class of shares within which the venture investment is recorded. Costs and expenses of the Fund not specifically identifiable to either of the Class A Shares and the Class A-R Shares will be allocated, at the time the costs and expenses are incurred, on the basis of the relative share capital as a proportion of the total share capital of the Class A Shares and the Class A-R Shares as at the latest available Weekly Valuation Update.

The venture investment and share subscription activity of each class of shares will have a separate accounting such that the net assets attributable to each class of shares will be reflected in the financial statements.

### Share Capital

The authorized capital of the Fund consists of an unlimited number of Class A Shares of which 12,490,093.2400 Class A Shares were issued and outstanding as at December 9, 2011, 10 Class B Shares which are held by the Sponsor, an unlimited number of Class A-R Shares, of which 3,972,836.6920 Class A-R Shares were issued and outstanding as at December 9, 2011 and an unlimited number of Class C shares, issuable in series, none of which are issued and outstanding. The Fund will not invest more than 10% of the Net Asset Value of the Fund attributable to capital raised through the issuance of the Subscriber Shares, in any one eligible business, and may not invest in an eligible business if the Fund and the eligible business are not at arm's length within the meaning of the Saskatchewan Act.

Class A-R Shares, a second class of equity shares within the Fund, were created pursuant to an amendment to the articles of the Fund dated December 30, 2005. The Class A-R Shares, in all material respects, have the same rights, redemption features, tax credit eligibility, commission structure and attributes as the Class A Shares except for the following:

- 80% of the net proceeds of the issuance of the Class A-R Shares will be invested in Saskatchewan eligible businesses in the energy and mining and related service sectors, rather than a broad cross-section of the economy as is the case with 75% of the net proceeds of the issuance of the Class A Shares;
- 20% of the net proceeds of the issuance of the Class A-R Shares will be held in cash or invested in government or investment grade securities, rather than 25% as is the case with the proceeds of the issuance of the Class A Shares; and
- a separate net asset value is calculated for each of the Class A Shares and the Class A-R Shares. The holders of Class A Shares have recourse only to the Net Asset Value attributable to the capital raised through the issuance of Class A Shares and the holders of Class A-R Shares have recourse only to the Net Asset Value attributable to the Class A-R Shares.

Management is of the view that the Class A-R Shares are of benefit to the Fund in the following manner:

- the opportunity exists to attract investors who may not have otherwise considered an investment in the Fund;
- a broader product offering may result in a larger Fund which may result in economies of scale; and
- the Class A-R Shares allow the Fund and subscribers of the Class A-R Shares to increase participation in high growth sectors of the economy.

The following is a summary of the material provisions attaching to each class of shares of the Fund.

#### **Class A Shares and Class A-R Shares**

##### ***Issue***

The Subscriber Shares may be issued only to individuals and RRSPs who, at the time of subscribing for Subscriber Shares, meet all conditions of the Saskatchewan Act. The Fund will not issue share certificates representing the Subscriber Shares unless requested by a holder of such shares. **See "Income Tax Considerations"**.

Subscriber Shares may not be issued to TFSAs.

##### ***Subscriptions***

The minimum initial subscription amount is \$500 and the minimum subsequent subscription amount is \$100. Investors may invest all of their subscription in Class A Shares, in Class A-R Shares or in a combination of both classes of Subscriber Shares. The Fund may waive minimum initial and subsequent subscription amounts to accommodate pre-authorized contribution plans and payroll deduction plans. Subscriber Shares are offered on a continuous basis at an offering price equal to the Net Asset Value per Share. **See "Calculation of Net Asset Value – Net Asset Value of the Fund"**.

##### ***Transfer***

An individual holder of Subscriber Shares who received a Federal or Saskatchewan tax credit in connection with the purchase of Subscriber Shares may transfer Subscriber Shares to a RRSP or RRIF under which the individual or his or her spouse or common law partner is the sole annuitant. Subscriber Shares may also be transferred to other eligible investors or otherwise as may be permitted under the Saskatchewan Act and other applicable securities law. All other transfers of Subscriber Shares must receive the prior approval of the Board.

Subscriber Shares may not be transferred to TFSAs.

### *Redemption by Holders*

**Redemption of the Subscriber Shares is restricted both by law and due to the fact that the obligation of the Fund to redeem the Subscriber Shares is based on the profitability and retained earnings of the Fund attributable to the class of Subscriber Shares for which redemption is requested.**

In any fiscal year, the Fund will not be required to redeem Subscriber Shares if the redemption would create a working capital deficiency for the Fund, cause it to be in default of its financial obligations under an arm's length loan agreement, if the Fund is insolvent or would be rendered insolvent as a result of the redemption, or if the total redemptions in the fiscal year would exceed either 20% of the Fund's retained earnings or 50% of the Fund's net earnings after taxes for the previous fiscal year. Subject to applicable law, under the Saskatchewan Act these restrictions will not apply if the holder of Subscriber Shares being redeemed has died, or if the investment is held by a RRSP or a RRIF and the sole beneficiary of the plan or fund is deceased.

Subject to the above restrictions, Subscriber Shares may be redeemed in the following circumstances. A holder of Subscriber Shares may require the Fund to redeem some or all of the holder's Subscriber Shares if the redemption occurs more than eight years after the date of issue of the Subscriber Shares being redeemed. Subscriber Shares may also be redeemed by the Fund upon request from the holder prior to the expiry of the eight year holding period, but only if an amount equal to the Federal tax credit and Saskatchewan tax credit, if any, on such shares is withheld from the redemption proceeds and paid to the Receiver General and the Saskatchewan Minister, respectively. **See "Prospectus Summary - Benefits and Eligibility for Investment" and "Income Tax Considerations"**. The legal representative of the original holder of Subscriber Shares may require the Fund to redeem the holder's Subscriber Shares without withholding of the tax credit amounts if the holder has died.

If the Fund is requested to redeem Subscriber Shares before the eighth anniversary of their issue, holders of Subscriber Shares so redeemed will be charged an Early Redemption Fee. The Early Redemption Fee will be deducted from the Redemption Amount otherwise payable and will be retained by the Fund. There is no Early Redemption Fee where the redemption occurs following the death of the original holder of the Subscriber Shares or after the eighth anniversary of the date of issue of the Subscriber Shares.

Subject to the foregoing limitations, any such Subscriber Shares that the Fund has not redeemed in a particular fiscal year will be redeemed in the following fiscal year before the Fund redeems any other Subscriber Shares. For such purposes, the requests to redeem such shares will be deemed to have been received by the Fund on the first day of the following fiscal year in the order that they were originally received by the Fund.

Redemptions of Subscriber Shares are made at the Redemption Amount. **See "Calculation of Net Asset Value – Net Asset Value of the Fund"**.

Investors who invested into the Fund in 2003 or earlier are eligible to roll their original investment back into the Fund and receive a second 15% Federal tax credit and a second 20% Saskatchewan tax credit. However, where such original investment was held in an RRSP, such investors will not be entitled to claim a second RRSP deduction when rolling their original investment back into the Fund. **See "Prospectus Summary - Benefits and Eligibility for Investment" and "Income Tax Considerations - Tax Credits Available to First Purchasers of Class A Shares and Class A-R Shares"**. Alternatively, an investor who invested into the Fund in 2002 or earlier may request the Fund to redeem all or some portion of such Subscriber Shares so acquired in 2003 or earlier, which redemption will not be subject to the withholding fee and Early Redemption Fee. **See "Redemption of Securities"**. The fiscal year of the Fund commencing September 1, 2008 was the first year in which investors could roll or redeem their original investment. As at October 31, 2011, 79.7% of those investors eligible to redeem their original investment chose to roll and/or retain their original investment back into the Fund. **See "Documents Incorporated by Reference - Annual Report"**

### *Dividends*

Holders of Subscriber Shares are entitled to receive non-cumulative dividends at the discretion of the Board.

### *Voting Rights*

Holders of Subscriber Shares are entitled to receive notice of and attend all meetings of shareholders of the Fund and, except for meetings at which only holders of a different class or series of shares of the Fund are entitled to vote separately as a class or series, are entitled to vote at any such meeting. Each Subscriber Share entitles the holder thereof to one vote.

### *Election of Directors*

The maximum number of directors currently permitted by the Articles of the Fund is nine (9). The current Board is comprised of nine (9) directors. The Sponsor, as a holder of Class B Shares, is entitled to nominate and elect a simple majority of the number of directors to be elected to the Board of the Fund unless, at the time of election of directors, there are no holders of Subscriber Shares or Class C Shares wherein the Sponsor may then vote in respect of the election of the balance of the directors. The holders of Subscriber Shares are entitled to elect all of those directors who are not elected by the Sponsor, as the holder of the Class B Shares. Holders of Subscriber Shares have no right to elect, remove, or replace directors elected by the Sponsor, being a majority of the directors. **See "Description of Securities Distributed - Class B Shares"**.

### *Fractional Shares*

A holder of a fractional Subscriber Share is entitled to exercise voting rights and to receive dividends in respect of such fractional Subscriber Share to the extent of such fraction.

### *Dissolution*

On Dissolution, subject to the rights of the holders of Class C Shares, if any, and after the return of an amount equal to the stated capital of the Class B Shares to the holder of the outstanding Class B Shares, the holders of Class A Shares will be entitled to share equally, share for share, in the liquidation of all of the assets of the Fund remaining after payment of all liabilities of the Fund to the extent of the Net Asset Value of the Fund attributable to the capital raised through the issuance of Class A Shares as a result of investing the proceeds of the issuance of Class A Shares in investee businesses and the holders of the Class A-R Shares shall be entitled to share equally, share for share, in the liquidation of all of the assets of the Fund remaining after payment of all liabilities of the Fund to the extent of the Net Asset Value of the Fund attributable to the capital raised through the issuance of Class A-R Shares of the Fund as a result of investing the proceeds of the issuance of Class A-R Shares in investee businesses.

### **Class B Shares**

The Class B Shares may be issued only to a labour association ("**Labour Association**") within the meaning of the Saskatchewan Act. Only 10 Class B Shares are authorized for issuance and all such shares have been issued to the Sponsor. **See "Organization and Management Details of the Fund - The Sponsor"**.

### *Dividends*

The holder of the Class B Shares is not entitled to receive dividends.

### *Transfer*

The Class B Shares may only be transferred with the prior approval of the Board and then only as may be authorized under the Saskatchewan Act and all other applicable laws. The Class B Shares may only be transferred to another Labour Association.

### *Voting Rights*

The holder of the Class B Shares is entitled to receive notice of and attend all meetings of shareholders of the Fund and, except for meetings at which only holders of a different class or series are entitled to vote separately as a class or series, is entitled to vote at any such meeting. Each Class B Share entitles the holder thereof to one vote.

### *Election of Directors*

The holder of the Class B Shares is entitled to nominate and elect a simple majority of the number of directors to be elected to the Board of the Fund and shall not be entitled to vote in respect of the election of the balance of the directors unless, at the time of election of directors, there are no holders of Subscriber Shares or Class C Shares wherein the Sponsor may then vote in respect of the election of the balance of the directors. The maximum number of directors currently permitted by the Articles of the Fund is nine (9).

### *Redemption*

The Class B Shares are redeemable by the Fund at any time at a redemption price equal to the subscription price paid for such shares.

## ***Dissolution***

In the event of a Dissolution, the holder of Class B Shares is entitled to receive an amount equal to the stated capital of the Class B Shares before any assets are distributed to holders of Subscriber Shares and Class C Shares, but after payment of all liabilities of the Fund, and after payment of declared or accumulated but unpaid dividends on any of the Subscriber Shares or the Class C Shares.

## **Class C Shares**

The Class C Shares are issuable in series, with the rights, privileges, restrictions and conditions attaching to each series to be determined by the Board, as approved by the Saskatchewan Minister, at the time of creation of the particular series. Effective March 16, 2005, the Fund created a first series of Class C Shares, designated Class C-Series I Shares, none of which are issued and outstanding as at the date of this prospectus.

## **SHAREHOLDER MATTERS**

### **Meetings of Shareholders**

The chairman of the Board, the Chief Executive Officer of the Fund, or the Board may at any time call and at any place in Saskatchewan convene an annual or a special meeting of shareholders. The Board shall call an annual meeting of the shareholders each year, not later than 15 months after the preceding annual meeting. A special meeting of shareholders must be convened if requisitioned by holders of at least 5% of the issued and outstanding shares of the Fund that carry the right to vote at the meeting sought to be held. Not less than 21 days and not more than 50 days notice will be given for any meeting of the Fund's shareholders. A quorum for any shareholder meeting is constituted if shareholders holding at least 1% of the total number of issued and outstanding shares of the Fund that are entitled to vote at such a meeting are present, either in person or represented by proxy. Voting at a shareholders meeting is generally conducted by a show of hands of shareholders present at the meeting and entitled to vote thereat unless a ballot is demanded by any shareholder or proxyholder entitled to vote at the meeting. Every shareholder present in person at a shareholders meeting shall have one vote on a show of hands. Every shareholder present in person or by proxy shall have one vote for every share registered in his name.

### **Matters Requiring Shareholder Approval**

Certain changes affecting the Fund can only be implemented with the approval of its shareholders. A meeting of the shareholders or, where required by law, a meeting of each class or series of shareholders of the Fund, will be held to consider and approve any of the following matters which the Fund may propose to change in the future:

- subject to certain exemptions applicable to mutual funds, any increase in the calculation of a fee or expense that is charged to the Fund or directly to the holders of the shares by the Fund or the Manager in connection with the holding of shares;
- a fee or expense, to be charged to the Fund or directly to the holders of shares of the Fund or to the Manager in connection with the holding of shares of the Fund, that could result in an increase in charges to the Fund or to the holders of shares of the Fund, if introduced;
- change of the Manager of the Fund (other than to an Affiliate of the Manager);
- any change in the investment objectives of the Fund;
- any decrease in the frequency of calculating the Net Asset Value of the Subscriber Shares;
- certain types of reorganizations as prescribed under rules applicable to mutual funds;
- subject to certain exemptions available under rules applicable to mutual funds which allow for notice in lieu of seeking approval, the use by the Fund of permitted derivatives; or
- any other matter which is required by the constating documents or by applicable laws to be approved by the shareholders of the Fund.

Unless a greater majority is required by applicable laws, such as for amendments to the Articles, resolutions must be approved by the majority of the votes cast at a shareholders meeting.

### **Reporting to Shareholders**

Shareholders are entitled to receive a Tax Credit Certificate under the Saskatchewan Act in the prescribed form and an annual statement showing the number and current value of their Subscriber Shares. Pursuant to the Services Agreement, effective January 1, 2008 Prometa Fund Support Services Inc. became the transfer agent of the Fund. Under the terms of the Services Agreement the Transfer Agent provides certain services to the Fund, including services relating to sending semi-annual reports to shareholders.

An annual report and management report of fund performance together with audited annual statements of the Fund will be sent to all shareholders, within 90 days of the end of each fiscal year of the Fund, for each fiscal year during the currency of the Fund. In addition, as required under NI 81-106 an unaudited semi-annual financial statement of the Fund and an interim management report of fund performance will be sent to all shareholders within 60 days of the end of the second quarter of each fiscal year. The financial statements will be reported in accordance with GAAP and reflect the Net Asset Value of the Fund at the date of the statements. These documents and other disclosure relating to the Fund can be accessed from the SEDAR website at <http://www.sedar.com>.

### **TERMINATION OF THE FUND**

In the event of a Dissolution:

- (a) the liabilities of the Fund and all declared or accumulated but unpaid dividends on all classes of shares of the Fund will be paid;
- (b) the holder of the Class B Shares is entitled to receive an amount equal to the stated capital of the Class B Shares before any assets are distributed to holders of any other class of shares of the Fund;
- (c) the holders of the Class A Shares are entitled to receive an amount equal to the Net Asset Value of the Fund attributable to the capital raised through the issuance of Class A Shares as a result of investing the proceeds of the issuance of Class A Shares in investee businesses;
- (d) the holders of the Class A-R Shares are entitled to receive an amount equal to the Net Asset Value of the Fund attributable to the capital raised through the issuance of Class A-R Shares of the Fund as a result of investing the proceeds of the issuance of Class A-R Shares in investee businesses; and
- (e) if there are any issued Class C Shares, the holders thereof are entitled to receive an amount equal to the Net Asset Value of the Fund attributable to the capital raised through the issuance of Class C Shares of the Fund as a result of investing the proceeds of the issuance of Class C Shares in investee businesses.

### **USE OF PROCEEDS**

The net proceeds of this Offering are expected to be invested in accordance with the investment policies of the Fund. The Fund invests in small and medium-sized Saskatchewan eligible businesses and high-quality government and corporate debt obligations. **See "Investment Objectives" and "Investment Strategies"**.

Under section 9 of the Saskatchewan Act the Saskatchewan Minister has prescribed a policy that for the 24 month period following the end of the fiscal year in which Subscriber Shares are issued, the Fund must invest at least 75% of the capital raised through such issuance in any combination of equity shares of eligible businesses, liquid reserves or in any other type of investment authorized by the Saskatchewan Regulations. The Fund's fiscal year end is August 31. As at the end of such 24 month period, and for the period that follows, the Fund will maintain at least 75% of its capital in investment instruments issued by eligible businesses. Pending such investments being made, the proceeds of this Offering will be invested in high-quality government and corporate debt obligations. The Fund will not invest more than 10% of the Net Asset Value of the Fund attributable to the capital raised through the issuance of Subscriber Shares, taken at fair value at the time of such investment, in any one eligible business, or in any combination of an eligible business and one or more corporations that are not dealing at arm's length with the eligible business. The Fund invests 80% of the capital raised through the issuance of Class A-R Shares in Saskatchewan eligible businesses in the energy, mining and related sectors.

Under the Saskatchewan Act, Trust Monies must be set aside in a trust fund until the Fund has invested 55% of the capital raised from the sale of Subscriber Shares, during the applicable fiscal period, into eligible businesses and is otherwise in compliance with the Saskatchewan Act. The Trust Monies must remain in trust until such time as the Fund has satisfied the investment criteria noted above with respect to 55% of the capital raised by the sale and issuance of Subscriber Shares during the applicable fiscal period. Pending release, the Trust Monies will be invested in high quality government and corporate debt obligations. Once 55% of the capital raised (as aforesaid) has been invested by the Fund into eligible businesses then, subject to receipt of written instructions from Saskatchewan Industry and Resources and the Fund authorizing release of the Trust Monies held in trust, the applicable Trust Monies will be released from trust and invested in eligible businesses. Pursuant to the Tax Credit Trust Agreement, CIBC Mellon Global Securities Services Company has agreed to hold the Trust Monies and release them in accordance with the terms of the Tax Credit Trust Agreement.

Pursuant to policy prescribed by the Saskatchewan Minister under section 11 of the Saskatchewan Act an amount up to 25% of the capital raised by the Fund through the sale and issuance of Subscriber Shares may be utilized by the Fund, if required, to satisfy payment of the Fund's ongoing operating expenses which include, among others, commissions to the Agent and sub-agents for sales of Subscriber Shares, marketing materials and management fees. Resort to these monies for funding operating expenses will only be required where the revenue generated by the Fund in any particular period is less than the operating expenses of the Fund for that same period.

Failure of the Fund to meet the investment and timing requirements noted above could result in a revocation of the Fund's registration under the Saskatchewan Act and penalties being imposed on the Fund. **See "Other Material Facts - Penalties Potentially Applicable to the Fund"**.

Any capital gain and interest and other investment income earned on such investments will accrue to the benefit of the Fund.

### **OPTIONS TO PURCHASE SECURITIES**

As at the date of this prospectus, no options to purchase any of the securities of the Fund are currently issued.

### **PRINCIPAL HOLDERS OF SECURITIES OF THE FUND**

As at the date of this prospectus, the Sponsor is the registered holder of 10 Class B Shares (being all of the issued and outstanding Class B Shares). No person or company beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the issued and outstanding Subscriber Shares.

As at the date of this prospectus, the only issued and outstanding shares in the capital of the Manager are 200 Class A shares, 160 of which are owned, both beneficially and of record by TBW Holdings Inc. (formerly PFM Capital Inc.) and 40 of which are owned, both beneficially and of record by Blueberry & Papaya Farms Ltd. TBW Holdings Inc. is currently owned by Randy Beattie and Rob Duguid, through their respective holding companies and Blueberry & Papaya Farms Ltd. is owned by Chris Selness and his spouse.

The directors and senior officers of the Fund, as a group, and the directors and senior officers of the Manager, as a group, beneficially own, directly or indirectly, less than 1% of all of the issued and outstanding Subscriber Shares.

### **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Pursuant to the Management Agreement the Manager has been retained as manager of the Fund and will receive certain management fees and other compensation. As at the date of this prospectus, the only issued and outstanding shares in the capital of the Manager are 200 Class A shares, 160 of which are owned, both beneficially and of record by TBW Holdings Inc. (formerly PFM Capital Inc.) and 40 of which are owned, both beneficially and of record by Blueberry & Papaya Farms Ltd. TBW Holdings Inc. is currently owned by Randy Beattie and Rob Duguid, through their respective holdings companies, and Blueberry & Papaya Farms Ltd. is owned by Chris Selness and his spouse. **See "Organization and Management Details of the Fund - The Manager" and "Fees and Expenses - Fees and Expenses Payable by the Fund - Management Fees and Expenses"**.

Prometa Fund Support Services Inc. has been retained as the registrar and transfer agent for the Subscriber Shares. **See "Organization and Management Details of the Fund - Registrar and Transfer Agent" and "Shareholder Matters"**. As at the date of this prospectus, TBW Holdings Inc. (formerly PFM Capital Inc.) holds 40% of the issued and outstanding shares of Prometa Fund Services Inc. The appointment of Prometa Fund Support Services Inc. as registrar and transfer agent of the Fund was reviewed

by the IRC (see "**Organization and Management Details of the Fund - Independent Review Committee**"), who determined that the appointment of Prometa Fund Support Services Inc. did not pose a conflict.

Pursuant to the Agency Agreement, the Agent has been retained to act as agent and principal distributor for the distribution of the Subscriber Shares of the Fund. The Agent (or Sub-Agents selling Subscriber Shares) will receive the Base Commission and Additional Commission at the time of sale as well as an annual Trailer Commission for each fiscal year that the investment, directly attributable to a sale by the Agent (or Sub-Agents) is maintained within the Fund. Pursuant to the Amended and Restated Agency Agreement, the Former Agent will continue to receive the Trailer Commission for each fiscal year that an investment, directly attributable to a sale by the Former Agent or its Sub-Agents, is maintained within the Fund. See "**Fees and Expenses - Fees and Expenses Payable by the Fund - Agent and Other Compensation**" and "**Purchase of Securities (Plan of Distribution)**".

### PROXY VOTING DISCLOSURE

The Fund has established a policy with respect to the voting of proxies held for securities of portfolio companies. Generally speaking the objective of the policy is for the Fund's securities to be voted in such a manner that will support proposals and board nominees that maximize the value of the respective Fund's investments over the long-term period. The oversight of proxy voting has been delegated to the Manager who will evaluate each proposal and slate of directors on their merits. Most of the Fund's investments in portfolio companies are private and governed by shareholders' agreements. For private companies, many of the key decisions that are taken by public companies through the proxy process are governed by these shareholders' agreements.

The Fund has provided the general guidance of proxy use to the Manager with respect to board composition, auditor independence, and compensation issues relating to portfolio companies for consideration in exercising the proxy rights attached to securities of portfolio companies. The Fund does not expect to deviate from these general guidelines for routine matters. For material non-routine matters, the Investment Committee or the Board may approve the use of the proxy. The Manager will keep a record of all public company proxy votes and will report to the Investment Committee at least annually.

The Fund's proxy voting guidelines are available free of charge to any shareholder of the Fund on our website at [www.saskworks.ca](http://www.saskworks.ca) or by writing to the Fund at 1925 Victoria Avenue, 2nd Floor, Regina, Saskatchewan, S4P 0R3.

### MATERIAL CONTRACTS

The Fund, or the Manager on behalf of the Fund, has entered into the following material contracts:

- (a) the Articles;
- (b) the Management Agreement referred to under "**Organization and Management Details of the Fund - The Manager**";
- (c) the Sponsorship Agreement referred to under "**Organization and Management Details of the Fund - The Sponsor**";
- (d) the Agency Agreement referred to under "**Purchase of Securities (Plan of Distribution)**";
- (e) the Amended and Restated Agency Agreement referred to under "**Purchase of Securities (Plan of Distribution)**";
- (f) the Administrative Services Agreements, referred to under "**Purchase of Securities (Plan of Distribution)**";
- (g) the Custodial Agreement referred to under "**Purchase of Securities (Plan of Distribution)**";
- (h) the Tax Credit Trust Agreement referred to under "**Use of Proceeds**";
- (i) the Services Agreement referred to under "**Organization and Management Details of the Fund - Registrar and Transfer Agent**"; and
- (j) the RRSP Agency Trust Agreement referred to under "**Purchase of Securities (Plan of Distribution)**".

Copies of the foregoing contracts may be inspected during regular business hours at the principal place of business of the Fund at 1925 Victoria Avenue, 2nd Floor, Regina, Saskatchewan S4P 0R3 and at the Saskatchewan Financial Services Commission, 6th Floor, 1919 Saskatchewan Drive, Regina, Saskatchewan, S4P 3V7. Copies of the material contracts, as well as additional information relating to the Fund can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## LEGAL AND ADMINISTRATIVE PROCEEDINGS

There are no legal proceedings material to the Fund to which the Fund is a party or to which any of its property is subject, and no such proceedings are known to be contemplated.

## EXPERTS

None of Olive Waller Zinkhan & Waller LLP, Regina, Saskatchewan, counsel to the Fund, McDougall Gauley LLP, Saskatoon, Saskatchewan, counsel to the Agent, or MNP LLP, Regina, Saskatchewan, auditor of the Fund, or any director, officer, employee or partner thereof, as applicable, has received or will receive a direct or indirect interest in the property of the Fund or of any associate or Affiliate of the Fund other than as a result of any shares of the Fund which are or may be beneficially owned, directly or indirectly, by the aforementioned partnerships, and the directors, officers, employees and partners, as applicable, of each of the aforementioned partnerships. As at the date hereof, the aforementioned partnerships, and the directors, officers, employees and partners, as applicable, of each of the aforementioned partnerships beneficially own, directly or indirectly, in the aggregate less than 1% of all of the issued and outstanding shares of the Fund.

## EXEMPTIONS AND APPROVALS

The Fund is generally governed by the standard investment restrictions and policies that are otherwise applicable to mutual funds. However, some of these restrictions and practices do not apply to the Fund and the Fund has been granted exemptions from, or variations in respect of, certain and other restrictions and practices. See "**Sectors and Investments - Investment Restrictions and Practices - Exemptions and Policies**".

## OTHER MATERIAL FACTS

### **Penalties Potentially Applicable to the Fund**

#### *Saskatchewan Penalty*

The Saskatchewan Act requires that, unless the Saskatchewan Minister provides approval for the Fund to wind-up or dissolve, the Fund shall pay a penalty to the Saskatchewan Minister equal to the Saskatchewan tax credits that were issued by the Province of Saskatchewan on the sale of Subscriber Shares, including any interest earned by the trust fund set up for such funds under the Saskatchewan Act, if the Fund:

- (a) proposes to wind-up or dissolve;
- (b) has its registration under the Saskatchewan Act (the "**Registration**") revoked; or
- (c) purchases or otherwise acquires any of the Subscriber Shares prior to eight years from the date of issue of the Subscriber Shares unless:
  - (i) the Saskatchewan tax credit issued to the holder of the Subscriber Shares at the time of issuance of the Subscriber Shares to the holder is repaid to the Saskatchewan Minister;
  - (ii) the Subscriber Shares to be redeemed belonged to a holder who has died; or
  - (iii) the holder of the Subscriber Shares to be redeemed is a RRSP or a RRIF and the sole beneficiary of the plan or fund has died.

#### *Revocation of Registration*

The Saskatchewan Minister may revoke the Registration of the Fund if the Fund has been struck from the register of corporations pursuant to section 290 of *The Business Corporations Act* (Saskatchewan), or if the Fund fails to comply with any provision of the Saskatchewan Act, the Saskatchewan Regulations or any terms and conditions imposed by the Saskatchewan Minister pursuant to the

Saskatchewan Act or Saskatchewan Regulations. Where the Fund has been struck from the register of corporations, the Fund's registration may be revoked without notice to the Fund. In any other circumstances, the Saskatchewan Minister must give notice to the Fund of any proposal to revoke the Fund's Registration. The Fund will have an opportunity, within 60 days of the written notice of proposal, to correct any default and to appeal any revocation of its Registration. Investments in Subscriber Shares made after the revocation of the Fund's Saskatchewan Registration will not entitle purchasers to receive Saskatchewan tax credits.

### ***Federal Penalty***

The Federal Act provides that the Fund comply with the business investment requirements under the Saskatchewan Act, and as a consequence of non-compliance, the Fund will be liable to pay an amount equal (other than interest) to that amount it may be required to pay under the Saskatchewan Act, as a penalty to the Receiver General.

The Federal Act also requires that the Fund will be liable to pay an amount equal (other than interest) to that amount it may be required to pay under the Saskatchewan Act, as a consequence of the amalgamation or merger of the Fund with another corporation, the winding-up or dissolution of the Fund or the Fund ceasing to be registered under the Saskatchewan Act, as a penalty to the Receiver General.

## **PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION**

Securities legislation in Saskatchewan provides purchasers with the right to withdraw from an agreement to purchase mutual fund securities within two business days after receipt of a prospectus and any amendment or within 48 hours after the receipt of a confirmation of a purchase of such securities. If the agreement is to purchase such securities under a contractual plan, the time period during which withdrawal may be made may be longer. The securities legislation further provides a purchaser with remedies for rescission or damages if the prospectus and any amendment contain a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limits prescribed by the securities legislation of the purchaser's province. The purchaser should refer to the applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or should consult with their legal advisor.

## **DOCUMENTS INCORPORATED BY REFERENCE**

Additional information about the Fund is available in the following documents:

1. Comparative annual financial statements of the Fund for the fiscal year ended August 31, 2011, together with the accompanying report of the Auditor.
2. Any interim financial statements of the Fund filed after the annual financial statements for the fiscal year ended August 31, 2011.
3. The most recently filed annual management report of fund performance of the Fund.
4. Any interim management report of fund performance of the Fund filed after that annual management report of fund performance.
5. The most recently filed committee report of the IRC.

These documents incorporated by reference into this prospectus, legally form part of this document just as if they were printed as part of this document. Any document of the type referred to above filed by the Fund after the date of this prospectus, and prior to the completion or termination of the distribution contemplated herein, shall be deemed to be incorporated by reference into this prospectus.

Copies of these documents are available at your request, and at no cost by calling the Fund at 1-306-791-4833 or from your dealer. These documents are also available on the Fund's website at [www.saskworks.ca](http://www.saskworks.ca) or by contacting the Fund at [saskworks@saskworks.ca](mailto:saskworks@saskworks.ca). These documents and other information about the Fund are also available on the SEDAR website at <http://www.sedar.com>.

**Any statement contained in this prospectus or a document incorporated or deemed to be incorporated by reference herein or in any subsequently filed document which also is or is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this prospectus to the extent that a statement contained herein, or in any other document which is incorporated or is deemed to be incorporated by reference herein, modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, 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 a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed in its unmodified or superseded form to constitute a part of this prospectus.**

## Auditors' Consent

We have read the prospectus of SaskWorks Venture Fund Inc. (the "Fund") dated December 19, 2011 relating to the issue and sale of Class A Shares and Class A-Resource Shares of the Fund to a maximum offering of \$50 million annually and to a maximum of \$500 million overall. We have complied with Canadian generally accepted standards for an auditors' involvement with offering documents.

We consent to being named and to the incorporation by reference in the above-mentioned prospectus of our report to the Shareholders of the Fund on the statement of net assets of the Fund as at August 31, 2011 and 2010, the statement of investment portfolio as at August 31, 2011 and the statements of operations, changes in net assets and cash flows for the years ended August 31, 2011 and 2010. Our report is dated October 20, 2011.

A stylized, handwritten signature of 'MNP LLP' in black ink.

Regina, Saskatchewan  
December 19, 2011

Chartered Accountants

**CERTIFICATE OF SASKWORKS VENTURE FUND INC.**

**Dated: December 19, 2011**

This prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of Saskatchewan.

*signed - "Randy Beattie"*  
Randy Beattie  
Chief Executive Officer

*signed - "Rob Duguid"*  
Rob Duguid  
Chief Financial Officer

**On Behalf of the Board of Directors of  
SaskWorks Venture Fund Inc.**

*signed - "Ron Carlson"*  
Ron Carlson  
Chairman and Director

*signed - "Michael Fix"*  
Michael Fix  
Vice-Chairman and Director

**CERTIFICATE OF PFM VENTURE CAPITAL OPERATIONS INC.**

**Dated: December 19, 2011**

This prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of Saskatchewan.

*signed - "Randy Beattie"*  
\_\_\_\_\_  
Randy Beattie  
Chief Executive Officer

*signed - "Mike Merth"*  
\_\_\_\_\_  
Mike Merth  
Chief Financial Officer

**On Behalf of the Board of Directors of  
PFM Venture Capital Operations Inc., as Manager and Promoter**

*signed - "Rob Duguid"*  
\_\_\_\_\_  
Rob Duguid  
Director

*signed - "Randy Beattie"*  
\_\_\_\_\_  
Randy Beattie  
Director

**CERTIFICATE OF THE AGENT**

**Dated: December 19, 2011**

To the best of our knowledge, information and belief, this prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of Saskatchewan.

MGI Securities Inc.

Per: signed - "Jim Andrews"

Name: Jim Andrews

Title: Chief Financial Officer