

Venetus Partners LP

Part 2A of Form ADV

Firm Brochure

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This Brochure provides information about the qualifications and business practices of Venetus Partners LP (“Venetus” or “Advisor”). If you have any questions about the contents of this Brochure, please contact us at 203.900.3840.

Additional information about Venetus is also available on the SEC’s website at: www.adviserinfo.sec.gov.

Venetus is registered as an investment adviser with the United States Securities and Exchange Commission (the “SEC”) under the Investment Advisers Act of 1940 (the “Advisers Act”). Registration as an investment adviser with the SEC does not imply a certain level of skill or training. In addition, the information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

Item 2: Material Changes

Since Venetus filed its initial Part 2A of Form ADV, there are no material changes to report. The changes and updates to this Brochure do not constitute material changes and are of a routine nature. We encourage all recipients of this Brochure to read it carefully in its entirety.

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Item 4: Advisory Business

Venetus Partners LP is an investment advisor organized as a Delaware limited partnership which was formed in June 2015. Nick Graziano is the founder and principal owner of Venetus. Venetus is registered with the SEC as an investment adviser under the Advisers Act.

Venetus serves as an investment advisor and provides discretionary advisory services to several related collective investment vehicles, including private investment partnerships, together with any respective parallel funds, (the “Venetus Funds”) and special purpose co-investment vehicles (the “Co-Investment Funds”) (collectively the “Funds”). Typically, within each Fund structure is a designated general partner or manager (the “General Partner(s)”). Unless and only to the extent that the context otherwise requires, references to Venetus include the General Partner(s).

The Venetus Funds are organized to generate repeatable, superior risk-adjusted returns by employing a fundamental, catalyst-driven long/short investment strategy focusing on situations with a clearly defined path to value creation. The Funds invest primarily in equities and equity derivatives, largely in North America. The Funds may opportunistically invest across the capital structure, including in special situations and distressed securities. The Funds generally invests in companies with market capitalizations greater than \$500 million.

The Co-Investment Funds are organized to invest in securities transactions alongside the Venetus Funds from time to time. The Co-Investment Funds are generally created for the purpose of investing in a single security and will provide no diversification to its Limited Partners.

In providing services to the Funds, Venetus formulates each Fund’s investment objectives, directs and manages the investment and reinvestment of each Fund’s assets, and provides reports to investors. Investment advice is provided directly to the Funds and not individually to the limited partners or shareholders of the Funds (the “Investors” or “Limited Partners”). Venetus manages the assets of the Funds in accordance with the terms of each Fund’s confidential offering or private placement memoranda, individual limited partnership or shareholder agreements and other governing documents applicable to each Fund (the “Governing Fund Documents”). All terms are generally established at the time of the formation of a Fund, and are only terminable once the applicable Fund is dissolved, wound up, and terminated.

Shares or limited partnership interests in the Funds are not registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), and the Funds are not registered under the Investment Company Act of 1940. Accordingly, interests or shares in the Funds are offered and sold exclusively to investors satisfying the applicable eligibility and suitability requirements, either in private transactions within the United States or in offshore transactions.

As of March 13, 2017, Venetus had approximately \$122.0 million in discretionary regulatory assets under management.

Item 5: Fees and Compensation

General

Venetus provides investment advisory services to each of the Funds pursuant to separate investment advisory or letter agreements (the “Agreements”). The Agreements for each Fund, along with specific organizational documents of the Fund, set forth in detail the fee structure relevant to each such Fund. The terms of the Agreements are generally established at the time of the formation of the applicable Fund.

Venetus typically receives compensation from fees based on a percentage of assets under management and incentive allocations. Investors should review all fees charged by the Advisor to fully understand the total amount of fees to be paid by a Fund and, indirectly, by their Limited Partners.

Management Fee

The fee structure varies between Funds. The standard fee schedule for the Venetus Funds includes a 1.75% fee per annum for investment management services (the “Management Fee”). The Co-Investment Funds generally pay a Management Fee of 0.50% per annum, however such fees are negotiated and agreed upon in advance. The Management Fee is payable quarterly in advance and based upon the beginning net asset value for such fiscal quarter.

The Advisor and its affiliates reserve the right to waive or reduce the Management Fee for certain Investors, including employees, immediate family members of employees, and others as may be determined in the Advisor’s sole discretion.

Incentive Allocations

A portion of each Fund’s net investment profit may be allocated to the capital account of its General Partner (the “Incentive Allocation”). The fee structure varies between Funds. The standard fee schedule for the Venetus Funds includes a 20% incentive allocation based on investment performance. The standard fee structure of the Co-Investment Funds includes a 10% incentive allocation based on investment performance, however such fees are negotiated and agreed upon in advance. For the Venetus Funds, the Incentive Allocation is subject to a loss carry forward provision that generally requires that any losses be offset by net profits before the General Partner can receive the Incentive Allocation. As is the case with Management Fees, Venetus and its affiliates reserve the right to waive or reduce the Incentive Allocation for certain investors, including employees, and others as may be determined in the Advisor’s sole discretion.

Other Expenses Charged to the Funds

In addition to Management Fees and Incentive Allocations, the Funds’ Limited Partners will bear the fees and expenses charged to the Funds. Those fees and expenses will vary by Fund, but typically will include, among other things: investment expenses, whether or not such investments are consummated (such as brokerage commissions, expenses relating to short sales, clearing and settlement charges, custodial fees, bank service fees, research related travel and interest expenses); professional fees (including, without limitation, fees and expenses of consultants, investment bankers, attorneys, accountants and other experts) relating to investments; fees and expenses relating to software tools, programs, risk analytics or other technology utilized in managing the

Fund's portfolio (including, without limitation, third-party software licensing, implementation, data management and recovery services and custom development costs); research and market data (including, without limitation, any related computer hardware and connectivity hardware (*e.g.*, Bloomberg terminals) incorporated into the cost of obtaining such research and market data); fees and expenses of the Administrator; legal expenses; external accounting and valuation expenses (including, without limitation, the cost of accounting software packages); audit and tax preparation expenses; costs related to directors and officers insurance and errors and omissions insurance for the General Partner and the Advisor; entity-level taxes; costs incurred to comply with the rules under Sections 1471-1474 of the Code or other similar laws (whether imposed on the Funds, the General Partner or the Advisor); corporate licensing; regulatory expenses (including, without limitation, expenses relating to compliance and preparation of regulatory filings (*e.g.*, Form PF, 13D and Section 16 filings), and related fees and expenses of consultants); organizational expenses; expenses incurred in connection with the offering and sale of the interests and other similar expenses related to the Fund; indemnification expenses; and extraordinary expenses. Generally, particular Fund expenses, other than the Management Fee, any Investor-Related Taxes and any expenses that the General Partner determines in its sole discretion should be allocated to a particular Investor or Investors, will be charged to the Capital Accounts of all the Investors of that particular Fund on a *pro rata* basis. Expenses for research related products and services may be paid through "soft dollars" generated by the Fund. To the extent that expenses to be borne by the Fund are paid by the General Partner or the Advisor, the Funds will reimburse such party for such expenses.

The Advisor and its affiliates are permitted to receive consulting fees, investment banking fees, advisory fees, breakup fees, director's fees, closing fees, transaction fees and similar fees in connection with actual or contemplated investments. To the extent that such fees are received, the portion of the Management Fee received by the Advisor will be reduced or offset accordingly (and on a pro-rata basis to the extent such fees relate to an investment or proposed investment of multiple Funds), with the excess of any such reduction or offset rolling forward to subsequent months until so applied.

The Advisor allocates expenses to Funds in a manner that it believes is fair and equitable, considering all factors as it deems relevant, but in its sole discretion, subject to each Fund's Governing Fund Documents. The allocation of expenses can create potential conflicts of interest. Shared expenses will typically be allocated among the relevant Funds obligated to bear expenses of such kind. The allocations of such expenses will typically be done pro rata amongst Funds but at times may not be proportional and any such determinations involve discretion by the Advisor. There can be no guarantee that prospective Investors in yet to be formed Co-Investment Funds will agree to bear expenses related to unconsummated investments and therefore all such expenses will be borne by the Venetus Funds.

Item 6: Performance Based Fees and Side-by-Side Management

As described above, Venetus or its affiliates receive performance-based compensation in the form of Incentive Allocation. The fact that a significant portion of the Advisor's compensation is directly computed on the basis of profits generated by the sale or disposition of the Funds' assets may create an incentive for Venetus to make investments on behalf of the Funds that are riskier or more speculative than would be the case in the absence of such compensation.

In addition, the Venetus Funds pay a higher Incentive Allocation than the Co-Investment Funds. This gives rise to a potential conflict of interest, as the Advisor may have an incentive to favor the Venetus Funds over the Co-Investment Funds, for example, by allocating a larger portion of an investment opportunity to the Venetus Funds. However, the Advisor believes this risk is mitigated by the special purpose nature of the Co-Investment Funds and the Advisor's allocation policies.

Item 7: Types of Clients

Venetus provides discretionary investment management and advisory services to the Funds directly, subject to the direction and control of the General Partner of each Fund, and not individually to the Limited Partners.

The minimum commitment for a Limited Partner is generally \$5,000,000; however the Advisor maintains discretion to accept less than the minimum investment threshold. Investors will be required to meet certain suitability qualifications in order to comply with applicable federal securities laws and regulations. Typically, these investors are high net worth individuals, pension plans (corporate, state and foreign), sovereign wealth funds, endowments, foundations, banks, pooled investment vehicles (e.g., funds-of-funds), trusts, estates or charitable organizations, and corporate or business entities.

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

The Venetus Funds generally seek to comprise its concentrated long portfolio of investments along three primary themes: (i) fundamentally undervalued companies where the Advisor will work actively to surface value through influencing change ("activist investing"); (ii) event driven situations with attractive fundamental characteristics; and (iii) companies where the earnings power or valuation is misunderstood by the market with some identifiable catalyst that the Advisor believes will result in realization of higher value. The Advisor will generally have a multi-year view of potential value creation in a given investment.

The Venetus Funds' short portfolio will generally be comprised of: (i) standalone "alpha shorts" of businesses perceived to be facing secular or structural challenges and which the Advisor expects to underperform and/or decline in value over time; and (ii) an overlay hedge that may be comprised of a variety of financial instruments, including derivatives, primarily for the purpose of attempting to hedge specific risk factors or the portfolio as a whole against changes in the macroeconomic environment or financial markets.

Venetus believes that concentrated investing requires a rigorous and methodical multi-stage investment process. The intensive, repeatable process will be used for both active and passive long and short investments. The Advisor employs a true ownership mentality when investing in the public markets, conducting deep financial analysis of the underlying business fundamentals of a company and performing extensive company and industry diligence based on available public information, discussions with industry participants and service providers, and interaction with management. The Advisor will utilize its extensive industry network to conduct this thorough and comprehensive due diligence, similar to that of private equity or control investing. The Venetus

Funds' concentration allows more time and focus to be spent per investment, often allowing for a deeper knowledge of business fundamentals and dynamics.

Venetus believes that good activism does not fix bad fundamentals. When identifying long investment ideas, the Advisor follows a consistent prioritization and checklist: (i) determine if the investment stands on its own fundamentally; (ii) determine if there is an identifiable catalyst or event path; and (iii) determine if there is an opportunity to utilize the Advisor's activist expertise. Venetus believes investments must stand on their own even if the event or activist agenda is not successful.

Risks

Prospective Limited Partners should carefully consider the risks involved in an investment in the Funds, including, without limitation, those discussed below. Additional or new risks not addressed below may affect the Funds. The following list of risk factors cannot be and is not intended to be exhaustive. Prospective Limited Partners should consult their own legal, tax and financial advisers about the risks of an investment in the Funds. The following risk factors and other relevant risks could have a material adverse effect on the Funds and the Limited Partners' investments therein.

Risk of Loss: No guarantee or representation is made that the Funds' investment program, including, without limitation, the Funds' investment objective, diversification strategies or risk monitoring goals, will be successful. Investment results may vary substantially over time. No assurance can be made that profits will be achieved or that substantial or complete losses will not be incurred. Past investment results of the investment professionals of the Advisor are not necessarily indicative of their future performance.

General Economic and Market Conditions: The success of the Funds' activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Funds' investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of the prices and the liquidity of the Funds' investments. Volatility or illiquidity could impair the Funds' profitability or result in losses. The Funds may maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets.

Activist Strategy: The success of the Funds' activist investment strategy depends upon, among other things: (i) the Advisor's ability to properly identify portfolio companies whose securities prices can be improved through corporate and/or strategic action; (ii) the Funds' ability to acquire sufficient securities of such portfolio companies at a sufficiently attractive price; (iii) the Funds' ability to avoid triggering anti-takeover and regulatory obstacles while aggregating its position; (iv) the willingness of the management of such portfolio companies and other security holders to respond positively to the Advisor's proposals; and (v) favorable movements in the market price of any such portfolio company's securities in response to any actions taken by such portfolio company. There can be no assurance that any of the foregoing will occur.

Activist investing strategies may prove ineffective for a variety of reasons, including: (i) opposition of the management or investors of the subject company, which may result in litigation and may erode, rather than increase, the value of the subject company; (ii) intervention of a governmental agency; (iii) efforts by the subject company to pursue a "defensive" strategy, including a merger with, or a friendly tender offer by, a company other than the offeror; (iv) market conditions resulting in material changes in the prices of securities; (v) the presence of corporate governance mechanisms such as staggered boards, poison pills and classes of stock with increased voting rights; and (vi) the necessity for compliance with applicable securities laws. In addition, opponents of a proposed corporate governance change may seek to involve regulatory agencies in investigating the transaction or the Funds and such regulatory agencies may independently investigate the participants in a transaction, including the Funds, as to compliance with securities or other law. Furthermore, successful execution of an activist investing strategy may depend on the active cooperation of investors and others with an interest in the subject company. Some investors may have interests which diverge significantly from those of the Funds, and some of those parties may be indifferent to the proposed changes. Moreover, securities that the Advisor believes are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the timeframe the Advisor anticipates, even if a corporate governance strategy is successfully implemented. Even if the prices for a portfolio company's securities have increased, no guarantee can be made that there will be sufficient liquidity in the markets to allow the Funds to dispose of all or any of its securities therein or to realize any increase in the price of such securities.

Event Driven: The success of the Funds' event-driven investment strategy depends upon the Advisor's ability to make predictions about (i) the likelihood that an event will occur and (ii) the impact such event will have on the value of a company's securities. If the event fails to occur or it does not have the effect foreseen, losses can result. For example, the adoption of new business strategies or completion of asset dispositions or debt reduction programs by a company may not be valued as highly by the market as the Advisor had anticipated, resulting in losses. In addition, a company may announce a plan of restructuring that promises to enhance value, but fail to implement it, which can result in losses to investors. In liquidations and other forms of corporate reorganization, the risk exists that the reorganization either will be unsuccessful, will be delayed or will result in a distribution of cash or a new security, the value of which will be less than the purchase price to the Funds of the security in respect of which such distribution was made. The consummation of mergers and tender and exchange offers can be prevented or delayed by a variety of factors, including: (i) opposition of the management or stockholders of the target company, which will often result in litigation to enjoin the proposed transaction; (ii) intervention of a federal or state regulatory agency; (iii) efforts by the target company to pursue a "defensive" strategy, including a merger with, or a friendly tender offer by, a company other than the offeror; (iv) in the case of a merger, failure to obtain the necessary stockholder approvals; (v) market conditions resulting in material changes in securities prices; (vi) compliance with any applicable federal or state securities laws; and (vii) inability to obtain adequate financing. Because of the inherently speculative nature of event-driven investing, the results of the Funds' operations may be expected to fluctuate from period to period. Accordingly, Limited Partners should understand that the results of a particular period will not necessarily be indicative of results that may be expected in future periods.

Long/Short: The success of the Funds' long/short investment strategy depends upon the Advisor's ability to identify and purchase securities that are undervalued and identify and sell short Securities that are overvalued. The identification of investment opportunities in the implementation of the Funds' long/short investment strategies is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. In the event that the perceived opportunities underlying the Funds' positions were to fail to converge toward, or were to diverge further from values expected by the Advisor, the Funds may incur a loss. In the event of market disruptions, significant losses can be incurred which may force the Funds to close out one or more positions. Furthermore, the valuation models used to determine whether a position presents an attractive opportunity consistent with the Advisor's long/short strategies may become outdated and inaccurate as market conditions change.

Short Selling: The success of the Funds' short selling investment strategy depends upon the Advisor's ability to identify and sell short securities that are overvalued. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Funds of buying those securities to cover the short position. There can be no assurance that the Funds will be able to maintain the ability to borrow securities sold short. In such cases, the Funds can be "bought in" (i.e., forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Short strategies can also be implemented synthetically through various instruments and be used with respect to indices or in the over-the-counter market and with respect to futures and other instruments. In some cases of synthetic short sales, there is no floating supply of an underlying instrument with which to cover or close out a short position and the Funds may be entirely dependent on the willingness of over-the-counter market makers to quote prices at which the synthetic short position may be unwound. There can be no assurance that such market makers will be willing to make such quotes. Short strategies can also be implemented on a leveraged basis. Lastly, even though the Funds secure a "good borrow" of the security sold short at the time of execution, the lending institution may recall the lent security at any time, thereby forcing the Funds to purchase the security at the then-prevailing market price, which may be higher than the price at which such security was originally sold short by the Funds.

Proxy Contests and Unfriendly Transactions: The Funds may purchase securities of a company that is the subject of a proxy contest on the expectation that new management will be able to improve the company's performance or effect a sale or liquidation of its assets so that the price of the company's securities will increase. If the incumbent management of the company is not defeated or if new management is unable to improve the company's performance or sell or liquidate the company, the market price of the company's securities will typically fall, which may cause the Funds to suffer a loss.

In addition, where an acquisition or restructuring transaction or proxy fight is opposed by the subject company's management, the transaction often becomes the subject of litigation. Such litigation involves substantial uncertainties and may impose substantial cost and expense on the company participating in the transaction.

Concentration of Holdings: At any given time, the Funds' assets may become highly concentrated within a particular company, industry, asset category, trading style or financial or economic market. In that event, the Funds' portfolio will be more susceptible to fluctuations in value resulting from adverse economic conditions affecting the performance of that particular company, industry, asset category, trading style or economic market, than a less concentrated portfolio would be. As a result, the Funds' aggregate return may be volatile and may be affected substantially by the performance of only one or a few holdings. The Advisor is not obligated to hedge the Funds' positions.

Trading in Securities and Other Investments that May be Illiquid: Certain investment positions in which the Funds may have an interest, including investment positions through which the Funds control or seek to control a company, may be illiquid. The Funds may own restricted or non-publicly traded securities and securities on foreign exchanges. These investments could prevent the Funds from liquidating unfavorable positions promptly and subject the Funds to substantial losses. Such illiquidity could also impair the Funds' ability to distribute withdrawal proceeds to a withdrawing Limited Partner in a timely manner.

Risks Associated with Acquiring Control Positions: The Funds may purchase controlling positions in publicly traded companies. Such controlling positions may be subject to increased legal or practical restrictions on transfer, and the disposition of such control positions may be subject to increased transaction costs.

Investment in Restructurings: The Funds may make investments in restructurings which involve portfolio companies that are experiencing or are expected to experience severe financial difficulties, which may never be overcome and may cause a portfolio company to become subject to bankruptcy proceedings. Such investments could, in certain circumstances, subject the Funds to certain additional potential liabilities, which may exceed the value of the Funds' original investment therein. For example, under certain circumstances, a lender who has inappropriately exercised control of the management and policies of a debtor may have its claims subordinated, or disallowed or may be found liable for damages suffered by parties as a result of such actions. In addition, under certain circumstances, payments to the Funds and distributions by the Funds to the shareholders may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment or a similar transaction under applicable bankruptcy and insolvency laws. Furthermore, investments in restructurings may be adversely affected by local statutes relating to, among other things, fraudulent conveyances voidable preferences lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims.

Leverage for Investment Purposes: The use of leverage will allow the Funds to make additional investments, thereby increasing its exposure to assets, such that its total assets may be greater than its capital. However, leverage will also magnify the volatility of changes in the value of the Funds' portfolio. The effect of the use of leverage by the Funds in a market that moves adversely to its investments could result in substantial losses to the Funds, which would be greater than if the Funds were not leveraged.

Collateral: The instruments and borrowings utilized by the Funds to leverage investments may be collateralized by all or a portion of the Funds' portfolio. Accordingly, the Funds may pledge its Securities in order to borrow or otherwise obtain leverage for investment or other purposes. Should the Securities pledged to brokers to secure the Funds' margin accounts decline in value, the Funds could be subject to a "margin call", pursuant to which the Funds must either deposit additional funds or Securities with the broker or suffer mandatory liquidation of the pledged Securities to compensate for the decline in value. The banks and dealers that provide financing to the Funds can apply essentially discretionary margin, "haircut", financing and collateral valuation policies. Changes by counterparties in any of the foregoing may result in large margin calls, loss of financing and forced liquidations of positions at disadvantageous prices. Lenders that provide other types of asset-based or secured financing to the Funds may have similar rights. There can be no assurance that the Funds will be able to secure or maintain adequate financing.

Costs: Borrowings will be subject to interest, transaction and other costs, and other types of leverage also involve transaction and other costs. Any such costs may or may not be recovered by the return on the Funds' portfolio.

Lending of Portfolio Securities: The Funds may lend securities on a collateralized and an uncollateralized basis from its portfolio to creditworthy securities firms and financial institutions. While a securities loan is outstanding, the Funds will continue to receive the equivalent of the interest or dividends paid by the issuer on the securities, as well as interest on the investment of the collateral or a fee from the borrower. The risks in lending securities, as with other extensions of secured credit, if any, consist of possible delay in receiving additional collateral, if any, or in recovery of the securities or possible loss of rights in the collateral, if any, should the borrower fail financially.

Hedging Transactions: The Funds may utilize securities for risk management purposes in order to: (i) protect against possible changes in the market value of the Funds' investment portfolio resulting from fluctuations in the markets and changes in interest rates; (ii) protect the Funds' unrealized gains in the value of its investment portfolio; (iii) facilitate the sale of any securities; (iv) enhance or preserve returns, spreads or gains on any security in the Funds' portfolio; (v) hedge against a directional trade; (vi) hedge the interest rate, credit or currency exchange rate on any of the Funds' securities; (vii) protect against any increase in the price of any securities the Funds anticipates purchasing at a later date; or (viii) act for any other reason that the Advisor deems appropriate. The Funds will not be required to hedge any particular risk in connection with a particular transaction or its portfolio generally. The Advisor may be unable to anticipate the occurrence of a particular risk and, therefore, may be unable to attempt to hedge against it. While the Funds may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Funds than if it had not engaged in any such hedging transaction. Moreover, the portfolio will always be exposed to certain risks that cannot be hedged.

Fundamental Analysis: Certain trading decisions made by the Advisor may be based on fundamental analysis. Data on which fundamental analysis relies may be inaccurate or may be generally available to other market participants. To the extent that any such data are inaccurate or that other market participants have developed, based on such data, trading strategies similar to the Funds trading strategies, the Funds may not be able to realize its investment goals. In addition,

fundamental market information is subject to interpretation. To the extent that the Advisor misinterprets the meaning of certain data, the Funds may incur losses.

Currencies: A principal risk in trading currencies is the rapid fluctuation in the market prices of currency contracts. Prices of currency contracts traded by the Funds are affected generally by relative interest rates, which in turn are influenced by a wide variety of complex and difficult to predict factors such as money supply and demand, balance of payments, inflation levels, fiscal policy, and political and economic events. In addition, governments from time to time intervene, directly and by regulation, in these markets, with the specific effect, or intention, of influencing prices which may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations.

Derivative Instruments: Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, credit risk, legal risk and operations risk. The regulatory and tax environment for derivative instruments in which the Funds may participate is evolving, and changes in the regulation or taxation of such securities may have a material adverse effect on the Funds.

Call Options: The seller (writer) of a call option which is covered (i.e., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The securities necessary to satisfy the exercise of an uncovered call option may be unavailable for purchase, except at much higher prices, thereby reducing or eliminating the value of the premium. Purchasing securities to cover the exercise of an uncovered call option can cause the price of the securities to increase, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire premium investment in the call option.

Put Options: The seller (writer) of a put option which is covered (i.e., the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security if the market price falls below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

Credit Default Swaps: Credit default swaps can be used to implement the Advisor's view that a particular credit, or group of credits, will experience credit improvement or deterioration. In the case of expected credit improvement, the Funds may sell credit default protection in which it receives a premium to take on the risk. In such an instance, the obligation of the Funds to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. The Funds may also buy credit default protection with respect to a referenced

entity if, in the Advisor's judgment, there is a high likelihood of credit deterioration. In such instance, the Funds will pay a premium regardless of whether there is a credit event.

Futures Contracts: The value of futures contracts depends upon the price of the securities, such as commodities, underlying them. The prices of futures contracts are highly volatile, and price movements of futures contracts can be influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, as well as national and international political and economic events and policies. In addition, investments in futures contracts are also subject to the risk of the failure of any of the exchanges on which the Funds' positions trade or of its clearing houses or counterparties. Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits". Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent the Funds from promptly liquidating unfavorable positions and subject the Funds to substantial losses or prevent it from entering into desired trades. Also, low margin or premiums normally required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss. In extraordinary circumstances, a futures exchange or the CFTC could suspend trading in a particular futures contract, or order liquidation or settlement of all open positions in such contract.

Forward Contracts: The Funds may enter into forward contracts and options thereon, including non-deliverable forwards, which are currently not traded through clearinghouses, although this is expected to change. The principals who deal in the forward contract market are not required to continue to make markets in such contracts. There have been periods during which certain participants in forward markets have refused to quote prices for forward contracts or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. The imposition of credit controls or price risk limitations by governmental authorities may limit such forward trading to less than that which the Advisor would otherwise recommend, to the possible detriment of the Funds. In its forward trading, the Funds will be subject to the risk of the failure of, or the inability or refusal to perform with respect to its forward contracts by, the principals with which the Funds trades. The Funds' assets on deposit with such principals will also generally not be protected by the same segregation requirements imposed on certain regulated brokers in respect of customer funds on deposit with them. The Advisor may order trades for the Funds in such markets through agents. Accordingly, the insolvency or bankruptcy of such parties could also subject the Funds to the risk of loss.

Contracts for Differences: Contracts for differences ("CFDs") are privately negotiated contracts between two parties, buyer and seller, stipulating that the seller will pay to or receive from the buyer the difference between the nominal value of the underlying instrument at the opening of the contract and that instrument's value at the end of the contract. The underlying instrument may be a single security, stock basket or index. A CFD can be set up to take either a short or long position on the underlying instrument. The buyer and seller are both required to post margin, which is

adjusted daily. The buyer will also pay to the seller a financing rate on the notional amount of the capital employed by the seller less the margin deposit. A CFD is usually terminated at the buyer's initiative. As is the case with owning any financial instrument, there is the risk of loss associated with buying a CFD. There may be liquidity risk if the underlying instrument is illiquid because the liquidity of a CFD is based on the liquidity of the underlying instrument. A further risk is that adverse movements in the underlying security will require the buyer to post additional margin. CFDs also carry counterparty risk, i.e., the risk that the counterparty to the CFD transaction may be unable or unwilling to make payments or to otherwise honor its financial obligations under the terms of the contract. If the counterparty were to do so, the value of the contract may be reduced. Entry into a CFD transaction may, in certain circumstances, require the payment of an initial margin and adverse market movements against the underlying stock may require the buyer to make additional margin payments. CFDs may be considered illiquid. To the extent that there is an imperfect correlation between the return on the Funds' obligation to its counterparty under the CFDs and the return on related assets in its portfolio, the CFD transaction may increase the Funds' financial risk.

Equity Securities Generally: The value of equity securities of public and private, listed and unlisted companies and equity derivatives generally varies with the performance of the issuer and movements in the equity markets. As a result, the Funds may suffer losses if it invests in equity instruments of issuers whose performance diverges from the Advisor's expectations or if equity markets generally move in a single direction and the Funds has not hedged against such a general move. The Funds also may be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of convertible securities or private placements, delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale.

Distressed Obligations: The obligations of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems (including companies involved in bankruptcy or other reorganization and liquidation proceedings) are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Among the risks inherent in investments in troubled entities is the risk that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate, recharacterize debt as equity or disenfranchise particular claims. Such companies' obligations may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. In addition, there is no minimum credit standard that is a prerequisite to the Funds' investments in any security. Obligations in which the Funds invests may be less than investment grade. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that value of the assets collateralizing the Funds' investments will be sufficient or that prospects for a successful reorganization or similar action will become available. In any reorganization or liquidation proceeding relating to a company in which the Funds' invests, the Funds may lose its entire investment, may be required to accept cash

or securities with a value less than its original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from the Funds' investments may not compensate the Limited Partners adequately for the risks assumed. In addition, under certain circumstances, payments and distributions may be disgorged if any such payment is later determined to have been a fraudulent conveyance or a preferential payment.

In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (due to, for example, failure to obtain requisite approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the Funds of the security in respect to which such distribution was made.

Exchange-Traded Funds: Exchange-Traded Funds ("ETFs") are publicly traded unit investment trusts, open-end funds or depository receipts that seek to track the performance and dividend yield of specific indexes or companies in related industries. These indexes may be either broad-based, sector, or international. However, ETF shareholders are generally subject to the same risk as holders of the underlying securities they are designed to track. ETFs are also subject to certain additional risks, including, without limitation, the risk that their prices may not correlate perfectly with changes in the prices of the underlying securities they are designed to track, and the risk of trading in an ETF halting due to market conditions or other reasons, based on the policies of the exchange upon which the ETF trades. Generally, each shareholder of an ETF bears a *pro rata* portion of the ETF's expenses, including management fees. Accordingly, in addition to bearing their proportionate share of the Funds' expenses (e.g., Management Fees and operating expenses), Limited Partners may also indirectly bear similar expenses of an ETF.

Illiquid Securities: Certain securities may be illiquid because, for example, they are subject to legal or other restrictions on transfer or there is no liquid market for such securities. Valuation of such securities may be difficult or uncertain because there may be limited information available about the issuers of such securities. The market prices, if any, for such securities tend to be volatile and may not be readily ascertainable, and the Funds may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. The Funds may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. As a result, the Funds may be required to hold such Securities despite adverse price movements. Even those markets which the Advisor expects to be liquid can experience periods, possibly extended periods, of illiquidity. Occasions have arisen in the past where previously liquid investments have rapidly become illiquid.

Initial Public Offerings: Investments in initial public offerings (or shortly thereafter) may involve higher risks than investments issued in secondary public offerings or purchases on a secondary market due to a variety of factors, including, without limitation, the limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the issuer and limited

operating history of the issuer. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them. These factors may contribute to substantial price volatility for such securities and, thus, for the value of the Fund's interests.

Restricted Securities: Restricted securities cannot be sold to the public without registration under the Securities Act. Unless registered for sale, restricted securities can be sold only in privately negotiated transactions or pursuant to an exemption from registration (e.g., under Rule 144A of the Securities Act). Although these securities may be resold in privately negotiated transactions, because there is often little liquidity for these securities, they may be difficult and take a substantial amount of time to sell, and the prices realized from these sales could be less than those originally paid by the Funds. Restricted securities may involve a high degree of business and financial risk which may result in substantial losses.

Privately Placed Securities: Certain private investments made by the Funds will offer the opportunity for significant gains, but also involve a high degree of risk, including the complete loss of capital. Among these risks are the general risks associated with investing in companies operating at a loss or with substantial variations in operating results from period to period and investing in companies with the need for substantial additional capital to support expansion or to achieve or maintain a competitive position. Such companies may face intense competition, including competition from companies with greater financial resources, more expansive development, manufacturing, marketing and service capabilities, and a greater number of qualified managerial and technical personnel. Furthermore, less information and disclosure may be available with respect to securities that are not publicly registered and thus such securities may be difficult to value and may be difficult to sell at a price representative of their intrinsic value.

Non-U.S. Exchanges: The Funds may trade on exchanges or markets located outside the U.S. Trading on such exchanges or markets is not regulated by the SEC and the CFTC and may, therefore, be subject to more risks than trading on U.S. exchanges, such as the risks of exchange controls, expropriation, burdensome taxation, moratoria and political or diplomatic events. Risks in investments in non-U.S. securities may also include reduced and less reliable information about issuers and markets, less stringent accounting standards, illiquidity of securities and markets, higher brokerage commissions and custody fees.

Non-U.S. Investments: Investing in the securities of companies (and, from time to time, governments) outside of the United States involves certain considerations not usually associated with investing in securities of U.S. companies or the U.S. government, including political and economic considerations, such as greater risks of expropriation, nationalization, confiscatory taxation, imposition of withholding or other taxes on interest, dividends, capital gains, other income or gross sale or disposition proceeds, limitations on the removal of assets and general social, political and economic instability; the relatively small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; the evolving and unsophisticated laws and regulations applicable to the securities and financial services industries of certain countries; fluctuations in the rate of exchange between

currencies and costs associated with currency conversion; and certain government policies that may restrict the Funds' investment opportunities. In addition, accounting and financial reporting standards that prevail outside of the U.S. generally are not as high as U.S. standards and, consequently, less information is typically available concerning companies located outside of the U.S. than for those located in the U.S. As a result, the Funds may be unable to structure its transactions to achieve the intended results or to mitigate all risks associated with such markets. It may also be difficult to enforce the Funds' rights in such markets. For example, Securities traded on non-U.S. exchanges and the non-U.S. persons that trade these instruments are not subject to the jurisdiction of the SEC or the CFTC or the securities and commodities laws and regulations of the U.S. Accordingly, the protections accorded to the Funds under such laws and regulations are unavailable for transactions on non-U.S. exchanges and with non-U.S. counterparties.

Item 9: Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's or investor's evaluation of the adviser or the integrity of the adviser's management. Neither Venetus nor any of its officers, directors, members, partners or employees (the "Employees"), have been involved in any legal or disciplinary events in the past 10 years that would require disclosure in response to this Item.

Item 10: Other Financial Industry Activities and Affiliations

Venetus organizes and sponsors the Funds. These pooled investment vehicles managed by Venetus are controlled by an affiliated General Partner. Venetus or the General Partner will be responsible for all decisions regarding portfolio transactions of the Funds and have full discretion over the management of the Funds' investment activities. While the General Partner is not separately registered as an investment adviser with the SEC, all of their investment advisory activities are subject to the Advisers Act and the rules thereunder. In addition, employees and persons acting on behalf of the General Partner are subject to the supervision and control of Venetus. Thus, the General Partner, all of its employees and the persons acting on its behalf would be "persons associated with" the registered investment adviser so that the SEC could enforce the requirements of the Advisers Act on the General Partner.

Venetus is not registered as, and does not have any application to register as a, futures commission merchant or associated persons of a futures commission merchant. Venetus is a commodity pool operator exempt from registration with the CFTC.

Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Pursuant to Rule 204A-1 of the Advisers Act, Venetus has adopted a written Code of Ethics predicated on the principal that the Advisor owes a fiduciary duty to the Funds and its Investors. The Code of Ethics is designed to address and avoid potential conflicts of interest and is applicable to all Employees. The Advisor requires its Employees to act in the Funds' best interests, abide by all applicable regulations and avoid any action that is, or could even appear to be, legally or ethically improper.

Employees generally may not purchase any listed, individual equity. Employees may purchase individual debt securities subject to written preclearance from the Advisor's Chief Compliance Officer or her designee. If any Employee has beneficial ownership in any listed, individual equity or debt securities as of the date he or she joined the Advisor, any sale of that security thereafter must be cleared, in advance and in writing, by the Advisor's Chief Compliance Officer or her designee. To ensure compliance with applicable securities laws, Venetus requires employees to report personal securities transactions quarterly, provide the Advisor with detailed holdings reports upon commencement of employment and annually thereafter, and seek approval before engaging in certain transactions.

The Advisor, its Employees or a related entity will have an investment in each Fund. For example, the General Partner for each Fund is owned by Venetus Employees. The General Partner will participate in the Fund's investment program through its investment in the Fund. Therefore, Venetus, its Employees or a related entity participate in transactions effected for Funds.

Clients and Investors may request a copy of the Code of Ethics by contacting the Advisor.

Item 12: Brokerage Practices

The Advisor has discretion in deciding which brokers or dealers are to be used for a particular transaction and the compensation for those transactions.

The Advisor seeks to obtain best execution for all transactions and evaluates brokers and dealers on the basis of numerous factors and not necessarily lowest pricing. Brokers and dealers may provide other services that are beneficial to the Advisor and Funds. Subject to best execution, in selecting brokers and dealers (including prime brokers) to execute transactions, provide financing and securities on loan, hold cash and short balances and provide other services, the Advisor may consider, among other factors that are deemed appropriate to consider under the circumstances, the following: the ability of the brokers and dealers to effect the transaction; the brokers' or dealers' facilities, reliability and financial responsibility; and the provision by the brokers of capital introduction, talent introduction, marketing assistance, consulting with respect to technology, operations and equipment, commitment of capital, access to company management and access to deal flow.

The Advisor may pay a broker-dealer commissions (or markups or markdowns with respect to certain types of riskless principal transactions) for effecting transactions in excess of that which another broker-dealer might have charged for effecting the transaction in recognition of the value of the brokerage and research services provided by the broker-dealer. The Advisor will effect such transactions, and receive such brokerage and research services, only to the extent that they fall within the safe harbor provided by Section 28(e) of the Exchange Act and subject to prevailing guidance provided by the SEC regarding Section 28(e). The Advisor believes it is important to its investment decision-making processes to have access to independent research.

Also, consistent with Section 28(e), research products or services obtained with "soft dollars" generated one Fund may be used to service one or more other Funds, including Funds that may not have paid for the soft dollar benefits. The Advisor will not seek to allocate soft dollar benefits to Funds in proportion to the soft dollar credits the Funds generate. Where a product or service obtained with soft dollars provides both research and non-research assistance to the Advisor (i.e., a "mixed use" item), the Advisor will make a good faith allocation of the cost which may be paid

for with soft dollars. In making good faith allocations of costs between administrative benefits and research and brokerage services, a conflict of interest may exist by reason of the Advisor's allocation of the costs of such benefits and services between those that primarily benefit the Advisor and those that primarily benefit the Funds.

When the Advisor uses brokerage commissions (or markups or markdowns) generated by any Funds to obtain research or other products or services, the Advisor receives a benefit because it does not have to produce or pay for such products or services. The Advisor may have an incentive to select or recommend a broker-dealer based on the Advisor's interest in receiving research or other products or services, rather than on a Fund's interest in receiving most favorable execution.

At least annually, the Advisor considers the amount and nature of research and research services provided by broker-dealers, as well as the extent to which such services are relied upon, and attempts to allocate a portion of the brokerage business of its Funds on the basis of that consideration.

Item 13: Review of Accounts

All investments are carefully reviewed and approved by the Advisor's investment team. The Funds' investments are reviewed on a continuous basis and the investment personnel meet regularly to discuss investment ideas, economic developments, industry outlook and other issues related to current portfolio holdings and potential investment opportunities.

Investors will receive reports in accordance with the terms of the Governing Fund Documents.

Item 14: Client Referrals and Other Compensation

Venetus does not receive economic benefits from non-clients for providing investment advice and other advisory services.

Venetus does not currently compensate anyone for client referrals.

Item 15: Custody

Venetus is deemed to have custody of client funds because it has the authority to deduct advisory fees or funds from a Limited Partner's account.

The Advisor is subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). However, it will not be required to comply with certain requirements of the Custody Rule with respect to the Fund because it will comply with the provisions of the so-called "Pooled Vehicle Annual Audit Exception", which, among other things, requires that the Funds be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that each Fund distribute its audited financial statements to all investors within 120 days of the end of its Fiscal Year.

The Advisor will maintain client assets in compliance with the Custody Rule.

Item 16: Investment Discretion

In accordance with the terms and conditions of the Governing Fund Documents, and subject to the direction and control of the General Partner of each Fund, the Advisor generally has discretionary authority to determine, without obtaining specific consent from the Funds or its Limited Partners, the securities and the amounts to be bought or sold on behalf of the Funds, and to perform the day-to-day investment operations of the Funds.

Item 17: Voting Client Securities

In compliance with Rule 206(4)-6 under the Advisers Act, the Advisor has adopted proxy voting policies and procedures. The general policy is to vote proxy proposals, amendments, consents or resolutions (collectively, "Proxies"), in a prudent and diligent manner that will serve the applicable Funds' best interest and is in line with each Funds' investment objectives.

In limited circumstances, the Advisor may refrain from voting Proxies where the Advisor believes that voting would be inappropriate. Limited Partners and Funds may not direct the Advisor's vote in a particular solicitation.

Conflicts of interest may arise between the interests of the Funds on the one hand and the Advisor or its affiliates on the other hand. If the Advisor determines that it may have, or is perceived to have, a conflict of interest when voting Proxies, the Advisor will vote in accordance with its Proxy voting policies and procedures. Limited Partners may obtain a copy of the Advisor's Proxy voting policies and its Proxy voting record upon request.

Item 18: Financial Information

A balance sheet is not required to be provided as Venetus (i) does not solicit fees more than six months in advance, (ii) does not have a financial condition that is likely to impair its ability to meet contractual commitments to clients or (iii) has not been subject to any bankruptcy proceeding during the past 10 years.