

Disclosure Brochure
(Form ADV, Part 2A)

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This brochure provides information about the qualifications and business practices of RS Energy Group Canada, Inc. If you have any questions about the contents of this brochure, please contact us at (403) 294-9111 or info@rseg.com. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission or by any state securities authority of the United States. That the firm is registered with the U.S. Securities and Exchange Commission is not intended to, and does not, imply a certain level of skill.

Additional information about RS Energy Group Canada, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

Table of Contents

Advisory Business	1
Fees and Compensation	2
Performance-Based Fees and Side-By-Side Management	5
Types of Clients	5
Methods of Analysis, Investment Strategies and Risk of Loss	5
Disciplinary Information	6
Other Financial Industry Activities and Affiliations	6
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	7
Brokerage Practices	8
Review of Accounts	8
Client Referrals and Other Compensation	8
Custody	8
Investment Discretion	8
Voting Client Securities	8
Financial Information	8

1. Advisory Business

RS Energy Group Canada, Inc. (“RSEG” or the “Firm”) is a Canadian corporation that publishes energy-sector research that focuses on the oil and natural gas industries. Users of the Firm’s research may obtain it on a subscription basis or by request through a custom engagement. Subscribers to the Firm’s research include asset managers, pension managers and corporations that are professional investors sophisticated in the oil and gas industries.

The Firm, which is headquartered in Calgary, Alberta, has been in business for 17 years, including its previous iterations as Ross Smith Energy Group and ITG Investment Research. The Firm is privately held directly and indirectly by three holding companies. The Firm’s direct parent (100%) is RS Energy Group U.S., Inc. The direct parent is owned, in turn, 100% by RS Energy Group Midco, Inc., which is owned 100% by RS Energy Group Topco, Inc.

The subjects of the Firm’s research include publicly traded and privately held oil and gas companies, with a focus on the analysis of North American and international energy exploration and production companies, basin characteristics, basin studies, commodity pricing forecasts, and global macroeconomics and geopolitical matters. The goal of the Firm’s research activities is to provide timely and accurate information to assist the Firm’s subscribers in their review and due diligence of potential investment opportunities. All investment decisions, however, are made by the subscriber independently or with the advice of the subscriber’s independent advisor. RSEG, in other words, does not manage client accounts or decide and execute investments on behalf of clients.

Subject of Research

Senior members of the Firm, often in consultation with analysts, will determine the subject of a research report and the report’s content. The Firm may seek new research subjects from client feedback, analysts’ original ideas, company presentations/announcements, government analyses, technical reports and conferences and media reports. The research generally tends toward technical analysis of geology and engineering, as well as from an analysis of the historical perspective and performance of a subject company. The Firm believes the scope of its research distinguishes it from most sell-side research that tends more toward rendering a buy, sell or hold recommendation.

Organization of the Research Team and the Research Process

Analysts are generally arranged into regional teams with intended overlap to allow for the free flow of ideas and information across the Firm. The teams are organized with a member of senior management, either a Managing Director or experienced Director, who meets with analysts to

discuss a possible new report, map or presentation. Once an idea is confirmed, another meeting is convened with authors and data technicians in order to establish a preliminary schedule for publication and to assign tasks.

Once a report is materially complete, the authors pass it to a Senior Editor who reviews the report and makes any revisions believed to be necessary. After the Senior Editor completes a review, and disclosures are added to the report, the Firm's graphics group prepares the report's layout and publishes it in portable document format (PDF) for review and approval by the Firm's senior management and compliance. After the necessary senior and compliance-level review and approval, the Senior Editor makes preparation for the report's distribution to the Firm's subscribers.

General Qualifications

The Firm's expectations are generally that analysts will be awarded a degree either in engineering or finance from an accredited university. Engineers typically are members of the Association of Professional Engineers and Geoscientists of Alberta. Professionals with finance degrees typically are members of (or working to become members of) the Chartered Financial Analyst Society.

Under most circumstances, newly hired professionals spend two years under the oversight of senior management prior to leading client meetings or authoring research reports as the lead author.

2. Fees and Compensation

RSEG divides its services into three basic service tiers. Each of the tiers has a separate subscription-fee structure (depicted below in U.S. dollars). Additionally, the Firm provides custom reporting at a negotiated price.

Subscribers may be either cash subscribers or pay for the Firm's research via a commission-sharing arrangement consistent with interpretations and guidance of the U.S. Securities Exchange Commission and its staff.

Tier 1:

For Tier 1 services, the minimum subscription fee is \$350,000 for an annual commitment. The subscription is negotiable, with pricing based on the regularity and specificity of the analysis and the number of users at a subscriber who are permitted access to the Firm's research reports. At Tier 1, a subscriber may have more than 12 users who may permissibly access the Firm's research. The Firm does not recognize a formalized cap on the number of users of a Tier 1

subscriber, but instead reviews the scope of user access on a case-by-case basis. The basic Tier 1 services include the following:

- Tier 1 subscribers receive first priority on any calls, research follow-ups, conference highlights, analyst meetings and custom project work.
- Tier 1 subscribers are also eligible to participate in private conferences and presentations to the research team.
- Tier 1 also includes all of the Tier 2 services noted below, including the volume of research per week and analyst access.

Tier 2:

For Tier 2 services, the minimum subscription fee is \$200,000 for an annual commitment. The subscription is negotiable, with pricing based on the regularity and specificity of the analysis and the number of users at a subscriber who are permitted access to the Firm's research reports. In contrast to Tier 1, where the RSEG does not impose a formalized cap, the Firm caps the number of users at a subscriber at 12 users. The basic Tier 2 services include the following:

- Tier 2 services include access to Firm analysts. This would include access to one-on-one meetings with the Firm's energy team (45-person team made up of petroleum engineers, data gathering technicians and financial analysts who have worked in the exploration and production industry).
- Tier 2 subscribers may participate on calls with the energy team to discuss key trends in the energy sector and operator drilling techniques in order to add background to the Firm's research reports.
- Tier 2 subscribers are given access to the Firm's analysts for purposes of explaining the use of models and assumptions underlying net-asset value ("NAV") reporting and Type Curve models.
- The Firm will entertain general requests for aggregate data on specific energy-related matters that the Firm can gather from public sources and organize for delivery.
- Generally, a subscriber to Tier 2 research will receive two to three research reports each week.

- The Firm provides Tier 2 subscribers at their request with general information about a company that may cover newsworthy topics about the company and what it could mean for the company. These “one-off” requests elicit more general information rather than a detailed analysis of a company that would be indicative of a research report.
- Some Tier 2 reports may include 2x3 feet activity maps (periodically updated) outlining various operators’ acreages, well results, economics and completion practices. RSEG periodically updates these activity maps.
- A Tier 2 research report may include energy pre-trade and IPO alerts that look at a single aspect of a company that could affect buy/sell decisions.
- Tier 2 subscribers also receive from the Firm’s Chief Energy Economist macro-level data on oil and gas supply.
- Tier 2 subscribers also receive news briefs and daily energy market wrap.
- Tier 2 subscribers have access to archived research reports that are posted on the Firm’s website.
- Tier 2 subscribers receive invitations to Firm-sponsored energy conferences and idea dinners with some of the top analysts from buy-side firms.
- Tier 2 subscribers will receive access to keynote speakers, exploration and production specialists, CEOs, consultants and industry associations.
- Tier 2 subscribers receive access to update lunches with RSEG analysts.

Tier 3:

For Tier 3 services, the minimum subscription fee is \$125,000 for an annual commitment. The basic Tier 1 services include access to all current and historical research reports. The Firm limits the numbers of users at a Tier 3 subscriber to six.

Custom:

Fees for custom research services are determined based on scope of the project, timing and any confidentiality agreements with RSEG. The scope of the Firm’s custom research services can

include benchmarking analysis, property reviews, due diligence, valuations, basin studies or peer reviews. Typically, the life of a custom report from the time of engagement would not exceed three months. For these matters the Firm seeks half of the negotiated fee at the time of the engagement, with the balance due upon delivery of the report.

3. Performance-Based Fees and Side-By-Side Management

The Firm publishes independent research focused on the energy sector on a subscription basis. It does not assess management fees based on assets under management; nor does it assess performance-based fees. Thus, RSEG would not have conflicts in connection with the side-by-side management of accounts that solely assess management fees versus those that also charge performance fees. *See* Section 2 above for a description of the Firm's fee structure.

4. Types of Clients

RSEG's subscribers include institutional investors, including portfolio managers, private-equity managers and corporate exploration and production companies.

5. Methods of Analysis, Investment Strategies and Risk of Loss

Senior members of the Firm, often in consultation with analysts, will determine the subject of a research report and the report's content. The Firm may seek new research subjects from client feedback, analysts' original ideas, company presentations/announcements, government analyses, technical reports and conferences and media reports. The research generally tends toward scientific and technical analysis of geology, and often is engineering focused.

The research process uses a team approach overseen by Firm management. Before a research report is published, the research team convenes several times to agree on scope and publication schedule.

Once a report is materially complete, the authors pass it to a Senior Editor who reviews the reports and makes revisions to the report. After the Senior Editor completes a review, and disclosures are added to the report, the Firm's graphics group prepares the layout and publishes it in portable document format (PDF) for review and approval by the Firm's senior management and compliance. After the necessary senior and compliance-level review and approval, the Senior Editor makes preparation for the report's distribution to the Firm's subscribers.

The Firm's analysis is based, in part, on calculations of NAV, which are derived using discounted cash-flow (DCF) models. The NAV model begins with an evaluation of a company's proven developed oil or natural-gas reserves using industry-standard decline analysis. The analysis also assesses a company's land holdings using a variety of technical data sources

(geology, completion, historical production, *etc.*) to estimate the viability of the acreage for future drilling. In reviewing future drilling prospects, RSEG analyzes existing wells and each well's associated capital and operating cost structure, which is included in the NAV model. The model also will account for hedges, debt, taxes, general and administrative costs, and other corporate-level financial inputs. RSEG typically runs a number of sensitivities around key variables, such as well cost, reserves and commodity prices, to show the range of possible outcomes.

The Firm does not make investment decisions for subscribers or manage assets where it would make and implement investment decisions either on a discretionary or nondiscretionary basis. Its research may be used as part of an informative process for others to make those investment and implementation decisions. Of course, securities investments pose risks of loss and, although RSEG has experience in the energy sector, its energy research cannot predict markets or positive performance with certainty. In particular, the development, production, transportation and marketing of natural resources generally are subject to many risks and an investment that depends on the continued and long-term success of these activities is not inherently certain. Energy sector investments are affected by many factors, including, without limitation, local and global commodity price fluctuations, government regulation, environmental issues, natural disasters, operational and transportation disruptions, shifts in supply and demand for resources, land use and title issues, import and export duties and other trade issues, changing macroeconomic conditions, changes in fuel and other input prices, raw material depletion, and labor issues.

Any of these factors could affect the Firm's research, and there is risk that the Firm's research may not adequately evaluate or convey some or all of these factors in its analysis.

6. Disciplinary Information

Neither RSEG nor any professional of RSEG has been the subject of any legal or disciplinary event of an investment-related nature that would be material to the business of the Firm or that would be subject to disclosure in Item 11 of Part 1A of Form ADV.

7. Other Financial Industry Activities and Affiliations

The Firm's sole business is the analysis and preparation of institutional research reports focused on the oil and gas industries. The Firm does not have any material business arrangements with any affiliates or control persons that are in the securities, banking, real estate, commodities or insurance business or with any legal or accounting advisers to any affiliate or control person.

8. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

RSEG maintains a code of ethics that addresses compliance with the U.S. Investment Advisers Act of 1940 and other relevant laws, as well as with the Firm's contractual duties.

Code of Business Conduct

The Firm's Code of Business Conduct and Ethics ("Code") covers a wide range of business practices and procedures. It prescribes basic policies to guide all directors, officers and employees of RSEG. In particular, the Firm's Code covers policies designed to deter wrongdoing and to promote (1) honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interests, (2) full, fair, accurate, timely, and understandable disclosure, and (3) compliance with applicable governmental laws, rules and regulations. All RSEG directors, officers and employees must conduct themselves in accordance with these policies and seek to avoid even the appearance of improper behavior. RSEG seeks to comply with all applicable laws in conducting its business.

Periodically, the Firm conducts information and training sessions to promote compliance with laws, rules and regulations.

Honest and Ethical Conduct

The Firm's Code requires that each director, officer and employee conduct him/herself in an honest and ethical manner and act with the highest standards of personal and professional integrity. All actual or apparent conflicts of interest between personal and professional relationships must be handled honestly, ethically and in accordance with the policies specified in the Firm's Code.

Conflicts of Interest

The Code seeks to manage conflicts of interest. Very generally, a "conflict of interest" arises when a person's private interest actually or potentially interferes in any way (or even appears to interfere) with the interests of the Firm's clients or the Firm. A conflict situation can arise when an employee, officer or director takes actions or has interests that may make it difficult to perform his or her work objectively and effectively.

RSEG requires its professionals to report actual or potential conflicts of interest. Although the Firm seeks to limit conflicts, there may be cases in which the Firm's research analysts may have business interests in the companies or assets that are the subject of a report. In these circumstances, RSEG's research report discloses this conflict and the analyst's business

relationship creating the conflict or the analyst is restricted from participating in a report where the Firm believes a conflict may not be appropriately managed.

The Code is available to any subscriber upon request.

9. Brokerage Practices

RSEG publishes institutional research. It does not manage securities portfolios or select brokers and dealers for purposes of routing securities transactions. Accordingly, the Firm has not needed to establish a formalized process for the selection and evaluation of trading partners, such as brokers or dealers.

10. Review of Accounts

Because the Firm does not manage client investments, it does not establish client accounts. Nor does it need to review the performance of client accounts. The Firm publishes institutional research for use by its subscribers. The subscriber or the subscriber's advisor(s) independently determines whether to act on any advice or analysis conveyed in the Firm's research.

11. Client Referrals and Other Compensation

The Firm does not compensate any third party for client referrals and does not receive any economic benefit from a third party for providing investment advice to its subscribers.

12. Custody

RSEG does not have custody over any subscriber's funds or securities.

13. Investment Discretion

As a research provider only, RSEG does not manage client investment decisions and does not establish or maintain any discretionary authority over client accounts.

14. Voting Client Securities

Neither RSEG nor any affiliate votes proxies on behalf of the Firm's subscribers.

15. Financial Information

The Firm does not assess any subscription fees more than six months in advance of any research services rendered to a subscriber. The typical coverage for a report is less than six months from

engagement, meaning that any subscription fees paid in advance will not extend to or exceed six months from the Firm's engagement to delivery of a report. There are no financial conditions of which the RSEG is aware that would impair the Firm's ability to publish any research under a subscription agreement.