

CONFIDENTIAL OFFERING MEMORANDUM

This Offering Memorandum constitutes an offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities and to those persons to whom they may be lawfully offered for sale. No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this Offering Memorandum. Any representation to the contrary is an offence. This is a risky investment. See "Risk Factors". No prospectus has been filed with any such securities regulatory authority in connection with the securities offered hereunder. This Offering Memorandum is confidential and is provided to specific prospective investors for the purpose of assisting them and their professional advisers in evaluating the securities offered hereby and is not to be construed as a prospectus or advertisement or a public offering of these securities.

Continuous Offering

April 23, 2014

THE KOOTENAY ENERGY RSP FUND

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Currently listed or quoted? No. **These securities do not trade on any exchange or market.**
Reporting Issuer? No.
SEDAR filer? No.

The Offering

Securities Offered: Trust units of The Kootenay Energy RSP Fund (the "**Fund**") divided into Class A Units, Class F Units and Class I Units (collectively, the "**Units**")

Price Per Security: Class A Units and Class F Units at Net Asset Value per Unit; Class I Units initially \$10 per Unit and Net Asset Value per Unit thereafter.

Minimum Offering: There is no minimum. You may be the only purchaser.

Funds available under the Offering may not be sufficient to accomplish our proposed objectives.

Maximum Offering None.

Minimum Subscription Amount: \$25,000⁽¹⁾

Payment Terms: Subscription for Units may be made directly through the Manager or from a distributor on the FundSERV network under the Manufacturer Code to Kootenay Capital Management "KCM" and the order code:

Class A Units "KCM100"

Class F Units "KCM101"

To invest in Units directly, investors may do so by delivering a subscription agreement to the General Partner, accompanied by a wire transfer, certified cheque or other form acceptable to the General Partner. See "Securities Offered – Subscription Procedure". A front-end sales fee of up to 5% may be charged on Class A Units purchased through registered dealers at the time of sale. See "Summary – Sales Commission and Compensation Paid to Sellers and Finders" and "Compensation Paid to Sellers and Finders".

Proposed Closing Date(s): Closings are expected to occur on the first business day of each month but may take place periodically at the Fund's discretion.

Income Tax Consequences: There are important tax consequences to these securities. See "Canadian Federal Income Tax Considerations and Consequences".

Selling Agents: Purchasers may pay a negotiated fee if purchasing through a dealer. See "Compensation Paid to Sellers and Finders".

Resale restrictions: You will be restricted from selling the Units for an indefinite period. See "Resale Restrictions".

Purchaser's rights: You have 2 business days to cancel your agreement to purchase these securities. If there is a Misrepresentation in this Offering Memorandum, you have the right to sue either for damages, or to cancel the agreement. See "Purchasers' Rights".

(1) Subject to waiver by the Manager.

The Fund is an unincorporated, open-ended mutual fund trust governed by the laws of Alberta. The primary objective of the Fund is to realize capital appreciation and investment income by investing in Partnership Interests (as defined herein) of the Kootenay Global Energy Absolute Return Fund Limited Partnership (the "**Partnership**"), the general partner of which is Kootenay GenPar Ltd. (the "**General Partner**").

The Fund was formed effective as of January 17, 2013 upon delivery of the settlement property to the Trustee and will continue until it is dissolved. Valiant Trust Company is the Trustee of the Fund. **The Fund is a related issuer of the Manager, Kootenay Capital Management Corp., the investment adviser of the Fund and an affiliate of the General Partner of the Partnership. The Manager will not collect fees from the Fund but will be reimbursed by the Partnership for all fees expended by it relating to the Fund. See "Business of the Fund – Material Agreements – Investment Management Agreement".** Purchasers of Units become unitholders of the Fund and will be bound by the terms of the Fund Agreement (as defined herein) governing the Fund.

SUBSCRIPTION PRICE: CLASS A UNITS AND CLASS F UNITS AT NET ASSET VALUE PER UNIT; CLASS I UNITS INITIALLY \$10 PER UNIT AND NET ASSET VALUE PER UNIT THEREAFTER

The Fund intends to offer (the "**Offering**") three classes of units of the Fund: namely, "Class A Units", "Class F Units" and "Class I Units". The Units are only being distributed to investors who are resident where the Fund is registered pursuant to available prospectus and registration exemptions under the securities laws of those provinces. Subscriptions may be accepted on the first business day of each month and such other dates as the Manager, on behalf of the Trustee, may in its discretion determine. Units offered following the initial issuance of Units hereunder are expected to be offered at the Class Net Asset Value per Unit at such time. Units may be redeemed on the last business day of each month upon not less than thirty (30) days' written notice.

These securities are speculative. A subscription for Units should be considered only by persons financially able to maintain their investment and who can bear the risk of loss associated with an investment in the Fund. As there is no market for these securities, it may be difficult or even impossible for the purchaser to sell them.

There is no market through which the Units may be sold and none is expected to develop. The Units are also subject to resale restrictions under the Fund Agreement and applicable securities legislation. Redemptions may be suspended if there is insufficient liquidity in the Fund. There are certain additional risk factors associated with investing in the Units. Investors should consult their own professional advisers to assess the income tax, legal and other aspects of the investment. Please see "Risk Factors" and "Resale Restrictions".

Persons who receive this Offering Memorandum must inform themselves of, and observe, all applicable restrictions with respect to the acquisition or disposition of Units under applicable securities legislation.

Subscribers are urged to consult with an independent legal adviser prior to signing the subscription agreement for the Units and to carefully review the Fund Agreement delivered with this Offering Memorandum.

Capitalized terms not otherwise defined above shall have the meaning ascribed thereto under the heading "Glossary of Terms" in this Offering Memorandum.

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FORWARD-LOOKING STATEMENTS

Certain information regarding the Fund set forth in this Offering Memorandum, including management's assessment of the Fund's future plans and operations, contains forward-looking statements that involve substantial known and unknown risks and uncertainties. The use of any of the words "anticipate", "believe", "capable", "contemplate", "continue", "estimate", "expect", "forecast", "intend", "plan", "potential", "predict", "project", "propose", "pursue", "seek" or other similar words, or statements that certain events or conditions "may", "might", "could", "should", "would" or "will" occur are intended to identify forward looking statements. Such statements represent the Manager's internal projections, estimates or beliefs concerning, among other things, future growth, results of operations, investment opportunities, future expenditures, plans for and results of investments, portfolio results, business prospects and opportunities. These statements are only predictions and actual events or results may differ materially. Although the Manager believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievement since such expectations are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause the Fund's actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Fund.

Forward-looking statements included in this Offering Memorandum include, but are not limited to, statements with respect to: the Fund's qualification as a mutual fund trust under the Tax Act; use of proceeds of the Offering; the retention of agents in connection with the Offering and payment of service fees to those agents; the business to be conducted by the Fund, including future operations; the appointment of the Manager; timing and payment of distributions; payment of fees to the Manager; both the Partnership's and the Fund's investment objectives and investment strategies; the employment of fundamental long/short strategy targets in the global energy sector by the Partnership and Manager; treatment under governmental regulatory regimes and tax laws; financial and business prospects and financial outlook; potential indemnification obligations in favour of the Trustee, the Manager and other service providers; valuation of the Fund's investments; the timing of dissolution of the Fund; possibility of extension of the dissolution date of the Fund; types of portfolio securities and results of investments in respect of both the Fund's and the Partnership's investments, the timing thereof and the methods of funding.

These forward-looking statements are subject to numerous risks and uncertainties, including but not limited to the risks discussed under "Risk Factors" and other factors, many of which are beyond the control of the Fund, the Trustee and the Manager. Readers are cautioned that the foregoing list of factors is not exhaustive.

The forward-looking statements contained in this Offering Memorandum are based on a number of assumptions, including those relating to:

- ability of the Fund to achieve or continue to achieve its objectives;
- willingness of agents to effect sales of Units at the fee levels proposed;
- outcomes associated with oil and gas exploration and oilfield services investments made by the Partnership, and potentially by the Fund, which are subject to general risks associated with oil and gas exploration and oil and gas services operations;
- commodity prices including, in particular, fluctuations in the price of oil and natural gas;
- concentration of investments in only certain Units the Partnership which could result in the Fund's portfolio being less diversified than anticipated;
- availability of investments that meet the Fund's investment objectives;
- the possibility of the Fund being unable to acquire or dispose of illiquid securities;
- variability of the Class Net Asset Value of the Fund, which depends on a number of factors that are not within the control of the Fund, including performance of the portfolio, and performance of equity markets generally;
- possibility of substantial redemptions of Units;
- the impact on the Fund of future changes in applicable legislation;
- application of legislation and regulations applicable to the Fund; and
- availability of certain key employees of the Manager.

Although the forward-looking statements contained in this Offering Memorandum are based upon assumptions which management believes to be reasonable, the Fund cannot assure investors that actual results will be consistent with these forward-looking statements.

Management has included the above summary of risks related to forward-looking information provided in this Offering Memorandum in order to provide holders of Units with a more complete perspective on the Fund's current and future operations and such information may not be appropriate for other purposes. The Fund's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits the Fund will derive therefrom. These forward-looking statements are made as of the date of this Offering Memorandum and the Fund and the Manager, for itself and on behalf of the Trustee, disclaim any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

NON-GAAP MEASURES

This Offering Memorandum contains the terms "Net Asset Value" and "Class Net Asset Value" which are not a recognized measures under Canadian GAAP. These measures do not have a standardized meaning under GAAP and the Fund's method of calculating these measures may differ from other entities, and accordingly these measures may not be comparable to measures used by other entities. The Manager believes that "Net Asset Value" and "Class Net Asset Value" are useful supplementary measures as investors may use this information to analyze the operating performance and value of the Fund.

GLOSSARY OF TERMS

In this Offering Memorandum, terms not otherwise defined herein shall have the meanings specified below which shall be equally applicable, with such variations as the context requires, to both the singular and plural forms.

"**Applicable Laws**" means all applicable provisions of law, domestic or foreign, including, without limitation, the Securities Act;

"**Approvals**" means any directive, order, consent, exemption, waiver, consent order or consent decree of or from, or notice to, action by or filing with, any Governmental Authority;

"**Calendar Year**" means a consecutive twelve calendar month period commencing on January 1;

"**Cash Equivalents**" means

- (i) commercial paper rated no lower than "A-1" by Standard & Poor's Ratings Services, "P-1" by Moody's Investors Service Inc. or the equivalent;
- (ii) United States or Canadian government and agency obligations;
- (iii) interest bearing deposit accounts with, or money market investments or certificates of deposit issued by any Canadian chartered bank;
- (iv) other similar obligations and securities; and
- (v) "money market" mutual funds which invest primarily in the securities described in clauses (i)-(iv) above, in each case maturing in one (1) year or less at the time of the investment by the Fund;

"**Class A Partnership Interest**" means the Fund's interest in the class A units of the Partnership;

"**Class F Partnership Interest**" means the Fund's interest in the class F units of the Partnership;

"**Class I Partnership Interest**" means the Fund's interest in the class I units of the Partnership;

"**Class A Unit**" means a class A unit in the capital of the Fund;

"**Class F Unit**" means a class F unit in the capital of the Fund;

"**Class I Unit**" means a class I unit in the capital of the Fund;

"**Class Net Asset Value**" means the fair market value of any of the Class A Units, Class F Units or Class I Units of the Fund at the time the calculation is made less the amount of any liabilities attributable to each such class at that time as determined by the Manager, on behalf of the Trustees, in accordance with the provisions of the Fund Agreement;

"**Class Net Asset Value per Unit**" means, with respect to particular class of Units, the quotient obtained by dividing the Class Net Asset Value of a particular class of Units by the total number of outstanding Units of that class, including fractions of Units, if any;

"**Counsel**" means Bennett Jones LLP;

"**Deferred Plan**" means a trust governed by a registered retirement savings plan, registered retirement income fund, registered education savings plan, deferred profit sharing plan, registered disability savings plan or tax-free savings account;

"**Distributions**" means any distribution to a Unitholder in respect of its Units in the Fund, as provided for in the Fund Agreement;

"**Distribution Record Date**" means the last Valuation Date during the Calendar Year in which a unit is outstanding, provided that: (i) if a Unit is outstanding at the end of the year, the Distribution Record Date is the last Valuation Date of the Calendar Year; (ii) if a Unit is redeemed throughout the year, the Distribution Record Date with respect to such Unit will be the Valuation Date on which the Unit was redeemed; and (iii) Distribution Record Dates may also include any such other dates as may be determined from time to time by the Trustee, or the Manager, on behalf of the Trustee;

"**Excluded Ontario Purchasers**" refers to: (a) a "Canadian Financial Institution" or a "Schedule III Bank" (each as defined under applicable securities laws); (b) the Business Development Bank of Canada; or (c) a subsidiary of any Person referred to in (a) or (b), if the Person owns all the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of that subsidiary;

"**Fiscal Year End**" means December 31 in each calendar year;

"**Fund**" means Kootenay Energy RSP Fund;

"**Fund Administrator**" means Pinnacle Canada Fund Administration Ltd.;

"**Fund Agreement**" means the Amended and Restated deed of trust of the Fund dated January 17, 2013;

"**Fund Assets**", at any time, means all monies, properties and other assets as are at such time held by the Trustee on behalf of the Fund including, without limitation:

- (i) the Initial Contribution;
- (ii) all funds or property realized from the issuance or sale of Units or any other Securities of the Fund or cash received from time to time;
- (iii) any units or other Securities of the Partnership;
- (iv) all Securities held by the Trustee on behalf of the Fund;
- (v) any Securities issued to the Fund as distributions in respect of the Securities held by the Trustee on behalf of the Fund;
- (vi) any proceeds of disposition of any of the foregoing property; and
- (vii) all income, interest, dividends, returns of capital, profit, gains and accretions and all substituted assets, rights and benefits of any kind or nature whatsoever arising directly or indirectly from or in connection with or accruing to such foregoing property or such proceeds of disposition;

"**GAAP**" means generally accepted accounting principles;

"**General Partner**" means Kootenay GenPar Ltd.;

"**Governmental Authority**" shall mean: (i) any nation, province, state, county, city or other jurisdiction; (ii) any federal, provincial, state, local, municipal, foreign or other government; (iii) any governmental or quasi-governmental authority of any nature (including any agency, branch, department, board, commission, court, tribunal or other entity exercising governmental or quasi-governmental power); (iv) any body exercising, or entitled or purporting to exercise, any administrative, executive, judicial, legislative, regulatory or taxing authority or power; or (v) any official of the foregoing;

"**Indemnities**" means the Manager, its affiliates and each of their respective direct and indirect shareholders and representatives;

"**Initial Contribution**" means the silver coin delivered by the Settlor to the Trustee for the purpose of settling the trust constituted by the Fund;

"**Initial Limited Partner**" means Tracey Theal, an individual residing in the City of Calgary, in the Province of Alberta;

"**Initial Unitholder**" means the Settlor;

"**Investment Management Agreement**" means the Investment Counsel and Management Services Agreement dated May 9, 2012, entered into among the Manager, the Fund, the Trustee, the General Partner and the Partnership;

"**Kootenay**" or the "**Manager**" means Kootenay Capital Management Corp.;

"**Kootenay Parties**" means the Manager, any affiliates and subcontractors of the Manager and any directors, officers, employees and individual shareholders of the Manager;

"**Limited Partnership Agreement**" means the limited partnership agreement dated as of May 11, 2011 and subsequently amended on May 11, 2012 made between the General Partner and the Initial Limited Partner;

"**LNG**" means liquefied natural gas;

"**Misrepresentation**" means, in respect of an offering memorandum generally and for the purposes of the section herein entitled "Purchaser's Rights", an untrue statement of a material fact or an omission to state a material fact that is required to be stated or is necessary to make any statement contained in an offering memorandum not misleading in light of the circumstances in which it was made;

"**Net Asset Value of the Fund**" means the combined value of the Class Net Asset Value of the Fund for each class of Units as determined by the Trustee from time to time in accordance with the provisions of the Fund Agreement;

"**Net Realized Capital Gains**" of the Fund for any taxation year of the Fund shall be determined as the amount, if any, by which the aggregate of the capital gains of the Fund in the year exceeds the total of:

- (i) the aggregate of the capital losses of the Fund calculated in accordance with the Tax Act in the year;
- (ii) the amount determined by the Trustee in respect of any net capital losses for prior taxation years which the Fund is permitted by the Tax Act to deduct in computing the taxable income of the Fund for the year; and
- (iii) any amount in respect of which the Fund is entitled to a capital gains refund under the Tax Act, as determined by the Trustee,

provided that, at the discretion of the Trustee, the Net Realized Capital Gains of the Fund for a year may be calculated without subtracting the full amount of the net capital losses for the year and/or without subtracting the full amount of the net capital losses of the Fund carried forward from previous years;

- (iv) plus the total amount of distributions of Distributable Income allocated to that Unit of a particular class on Distribution Record Dates that occurred from the start of the Calendar Year to the Valuation Date while the Unit of such class was outstanding,
- (v) less the beginning Class Net Asset Value per Unit of a particular class for the Calendar Year which shall be calculated as:
 - (A) if the Unit of such class was outstanding at the start of the Calendar Year, the Class Net Asset Value per Unit at the start of the Calendar Year, or
 - (B) if the Unit of such class was issued throughout the year, the issue price of that Unit;

"**NI 45-106**" means National Instrument 45-106 - *Prospectus and Registration Exemptions*;

"**Non-Residents**" means a Person who is not a resident of Canada or a partnership other than a Canadian partnership;

"**Offering Jurisdictions**" means the provinces in Canada;

"**OTC**" means over-the-counter securities;

"**Partnership**" means Kootenay Global Energy Absolute Return Fund Limited Partnership;

"**Partnership Act**" means the *Partnership Act*, R.S.A. 2000, c. P-3 and any amendments thereto;

"**Partnership Interests**" means any of the Fund's interest in class A units, class F units or class I units of the Partnership;

"**Partnership Investment Management Agreement**" means the Amended and Restated Investment Counsel and Management Services Agreement dated May 11, 2012 among the General Partner, the Partnership and the Manager;

"**Partnership Portfolio Entity**" means a portfolio entity of the Partnership;

"**Person**" means any individual, partnership, general partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, trustee, executor, administrator or other legal representative;

"**Prime Broker**" means CIBC World Markets Inc.;

"**Prime Broker Agreement**" means the institutional client services agreement entered into between the Partnership and the Prime Broker dated April 19, 2011;

"**Proposed Amendments**" means all specific proposals to amend the Tax Act that have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof;

"**pro rata share**" of any particular amount in respect of a Unitholder at any time shall be the product obtained by multiplying the number of Units of a particular class that are outstanding and are owned by that Unitholder at that time by the amount obtained when the particular amount is divided by the total number of all Units of that same class that are issued and outstanding at that time;

"**Redeeming Unitholders**" means Unitholders who have redeemed their Units in accordance with the terms of the Fund Agreement;

"**Redemption Price**" refers to a Unitholder receiving proceeds of redemption equal to the Class Net Asset Value per Unit on the Valuation Date;

"**Securities**" means bonds, debentures, notes or other evidence or instruments of indebtedness, shares, stocks, options, warrants, special warrants, installment receipts, subscription receipts, rights, subscriptions, partnership interests, units or other evidence of title to or interest in the capital, assets, property, profits, earnings or royalties, of any Person;

"**Securities Act**" means the *Securities Act*, R.S.A. 2000, c. S-4, as amended from time to time, together with all regulations, rules, policy statements, rulings, notices, orders or other instruments promulgated thereunder;

"**Settlor**" means Tracey Theal, an individual resident in the City of Calgary, in the Province of Alberta, as settlor of the Fund;

"**shorting**" means selling a security short;

"**Special Resolution**" means a resolution proposed to be passed as a special resolution at a meeting of Unitholders (including an adjourned meeting) duly convened for that purpose at which one or more individuals are present in person either holding personally or representing by proxy in aggregate not less than 10% of all votes entitled to be voted at the meeting and passed by the affirmative votes of the holders of more than 66 $\frac{2}{3}$ % of the votes cast by the Unitholders entitled to vote on such resolution and represented at the meeting and voted on a poll upon such resolution or approved in writing in one or more counterparts by Unitholders holding at least 66 $\frac{2}{3}$ % of the votes represented by the Units entitled to vote on such resolution;

"**Subscription Agreement**" means a subscription agreement duly executed and completed by a subscriber for Units of the Fund;

"**Subscription Date**" means the first business day of each month and such other dates as the Manager may in its discretion determine a closing may occur;

"**Tax Act**" means the Income Tax Act (Canada) and the regulations thereunder, as amended from time to time;

"**Transfer Agent**" means such Person as may from time to time be appointed by the Fund to act as registrar and transfer agent for the Units together with any sub-transfer agent duly appointed by the Transfer Agent; provided that where the Fund has not appointed a person to act as a registrar and transfer agent of the Units, then the General Partner shall act as a registrar and transfer agent of the Units;

"**Trustee**" means Valiant Trust Company, or any replacement therefor;

"**Unitholders**" means at any time the Persons who are holders of record at that time of one or more classes of Units, as shown on the registers of such holders maintained by the Fund or by the Transfer Agent on behalf of the Fund;

"**Units**" means, collectively, the Class A Units, the Class F Units and the Class I Units of the Fund;

"**Valuation Date**" means the first Business Day of each month and such other date(s) as the Trustee may in its discretion designate; and

"**Valuation Time**" means 3:00 p.m. Calgary time, on each Valuation Date, or such other time as the Trustee may designate, in its discretion.

SUMMARY

This summary is qualified by the more detailed information appearing elsewhere in this Offering Memorandum. Capitalized terms used but not defined in this summary are defined in the Glossary of Terms or elsewhere in this Offering Memorandum.

- The Fund:** The Fund is an unincorporated, open-ended mutual fund trust governed by the laws of the Province of Alberta. The Fund was formed effective as of January 17, 2013 upon delivery of the settlement property to the Trustee and will continue until it is dissolved.
- Investment Objective and Activities:** The primary objective of the Fund is to realize capital appreciation and investment income by investing in Partnership Interests. While the Fund intends to invest substantially all of its assets in the Partnership, it may also invest directly in exchange-traded or OTC securities consistent with the Fund's investment objectives. Some of the Fund's assets may be kept in cash or Cash Equivalents. See "Business of the Fund – Our Business".
- The Trustee:** Valiant Trust Company.
- The Manager:** The Trustee has retained Kootenay, a corporation incorporated under the laws of the Province of Alberta, to direct certain of the affairs of the Fund and to provide certain day-to-day management services to the Fund and management of the Fund's portfolio on a discretionary basis. See "Business of the Fund – Structure – The Manager".
- Units:** Three classes of trust units, described and designated as "Class A Units", "Class F Units" and "Class I Units" respectively. Each class of Units shall derive its value from the Fund's investment in the corresponding class of Partnership units (i.e. the Class A Units derive their value from the Fund's investment in the class A units of the Partnership, and so forth). Units of a particular class will be issued to investors with such class of Units to be determined between the Manager and each investor. See "Business of the Fund – Material Agreements – Fund Agreement".
- Eligibility for Deferred Income Plans:** The Fund is expected to qualify as a mutual fund trust under the Tax Act effective from the effective date of its formation in 2013 and at all times thereafter. Provided that the Fund so qualifies, Units will be qualified investments under the Tax Act for Deferred Plans. Holders of tax-free savings accounts, registered retirement savings plans and registered retirement income funds should consult with their own tax advisors as to whether Units would be a "prohibited investment" under the Tax Act in their particular circumstances. Investors are urged to consult with their tax advisors in respect of purchases made through a Deferred Plan. See "Risk Factors" and "Canadian Federal Income Tax Considerations and Consequences".
- Price:** Class A Units and Class F Units will be issued at Net Asset Value per Unit at the time of subscription. Class I Units will be initially offered at \$10 per Unit, with subsequent issuances being offered at

the Net Asset Value per Unit at the time of subscription.

Exemptions from the Prospectus Requirement: The sale of Units pursuant to this Offering Memorandum is being made: (i) in all provinces of Canada other than Ontario and Quebec pursuant to: (A) section 2.3 of NI 45-106 (accredited investor); (B) section 2.10 of NI 45-106 (minimum amount); and (C) section 2.9 of NI 45-106 (offering memorandum); and (ii) in Ontario and Quebec pursuant to: (A) section 2.3 of NI 45-106 (accredited investor); and (B) section 2.10 of NI 45-106 (minimum amount).

Minimum Individual Subscription: Subscribers must invest a minimum of \$25,000 in the Fund. The minimum initial investment of \$25,000 may be waived at the sole discretion of the Manager.

Each additional investment must be in an amount that is not less than \$5,000 other than subscribers who are investing in reliance on the exemption in section 2.10 of NI 45-106 (minimum amount), which subscribers must invest \$150,000 in any additional investment. See "Securities Offered".

Closing Dates: Closings may occur on the first business day of each month and such other dates as the Manager may in its discretion determine.

Manager's Fees: The Manager will receive no management fees in respect to the Fund but shall be reimbursed by the Partnership for fees and expenses paid by it on behalf of the Fund and is otherwise compensated by the Partnership. See "Business of the Fund – Material Agreements – Investment Management Agreement". Any fees incurred that relate to the Fund (including office expenses, support staff and investment due diligence and monitoring expenses) shall be for the account of the Partnership.

Net Profit Allocation: The net profit or loss of the Fund for any particular period will be calculated before giving effect to additions or withdrawals of capital, but after giving effect to the payment of taxes and expenses. Such profits or losses will be allocated to the Unitholders generally in accordance with their proportionate interest when they receive Distributions or in such other manner as the Manager determined reasonable. See "Business of the Fund – Material Agreements – The Limited Partnership Agreement".

Distributions to Unitholders: Each Unitholder will have an interest in the Fund as a holder of Class A Units, Class F Units or Class I Units. Each holder of Class A Units will be entitled to its *pro rata* share of any distributions received by the Fund with respect to the Fund's Class A Partnership Interests. In like manner, each holder of Class F Units will be entitled to its *pro rata* share of any distributions received by the Fund with respect to the Fund's Class F Partnership Interests and each holder of Class I Units will be entitled to its *pro rata* share of any distributions received by the Fund's Class I Partnership Interests.

The Trustee, or Manager on its behalf, may declare to be payable and make distributions, from time to time, out of amounts not received in respect of the Fund's Class A Partnership Interest,

Class F Partnership Interest or Class I Partnership Interest, the capital of the Fund or otherwise, in any year, in such amount or amounts, and on such dates as the Trustee, or Manager, may determine, including without limitation, to any specific Unitholder who redeems Units in order to equitably allocate available distributable income, and the tax obligations with respect thereto, to such specific Unitholder.

All distributions payable at any particular time to a Unitholder (less any tax required by law to be deducted therefrom) shall be reinvested in the Fund by way of the acquisition of additional Units of the same class, including fractional Units, at the Class Net Asset Value per Unit of the Fund of such class of Units on the Distribution Record Date for that distribution, unless otherwise determined by the Trustee or the Manager.

Fiscal Year End:

December 31 in each year.

Term:

The Fund has no fixed term. Dissolution may only occur on 60 days' written notice by the Trustee to the Unitholders.

Subscriptions:

The Units are being offered using the mutual fund order entry system FundSERV. Subscription for Units may be made directly through the Manager or from a distributor on the FundSERV network under the Manufacturer Code to Kootenay Capital Management Corp. "KCM" and the order code:

Class A Units "KCM100"

Class F Units "KCM101"

Funds in respect of any subscription will be payable by investors at the time of the subscription and will be kept in a segregated account prior to a Valuation Date. A front-end sales fee of up to 5% may be charged on Class A Units purchased through registered dealers at the time of sale. See "- Sales Commission and Compensation Paid to Sellers and Finders" and "Compensation Paid to Sellers and Finders".

Subscriptions for Units may also be made by completing and executing the Subscription Agreement provided by the Manager, together with all applicable schedules thereto and by forwarding the Subscription Agreement to the Manager. Payment of the subscription price is to be made in accordance with the instructions in the Subscription Agreement and may be made by certified cheque, bank draft or wire transfer (or other form of funds transfer acceptable to the Manager).

Subscriptions for Units will be accepted on a monthly basis, being on the first business day in each month or such other dates as the Manager may in its discretion determine, subject to the Manager's discretion to refuse subscriptions in whole or in part. The Unit price for subscriptions following the Initial Closing shall be the Class Net Asset Value per Unit at the time of subscription. The Fund Administrator intends to fix an opening Class Net Asset

Value of \$10 per Unit. See "Securities Offered – Subscription Procedure".

Redemptions:

Redemptions will be permitted on a monthly basis, on the first business day of each month or such other date(s) as the Trustee designates, pursuant to written notice that must be received by the Manager thirty (30) days prior to the applicable Valuation Date. The redemption price shall equal the Class Net Asset Value per Unit being redeemed on the relevant Valuation Date and may consist of both a return of capital and an income distribution. There will also be deducted from redemption proceeds otherwise payable an early redemption surcharge, payable to the Fund, if those Units are tendered for redemption within 180 days of purchase, as further disclosed under "Business of the Fund – Material Agreements – Fund Agreement".

The Trustee may suspend redemptions (either in whole or in part) at any time if: (i) at the time of tender, the Class Net Asset Value of the Fund is not representative of the fair market value of the Fund Assets; (ii) the Trustee reasonably believes circumstances exist which render impractical the sale of the Fund's assets or impair the ability of the Fund to accurately determine the Class Net Asset Value of the Fund; or (iii) the ability of the Fund to redeem any of its Partnership Interests has been suspended or terminated. The Trustee will advise Unitholders who have requested a redemption that it will be suspended or limited on the Valuation Date and will, subject to further suspension, be honoured on the following Valuation Date. A notice tendered by a Unitholder for redemption of Units is irrevocable unless there has been a suspension or limitation, in which case the Unitholder may withdraw its notice within fifteen (15) days following the relevant Valuation Date.

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

Resale Restrictions:

Units may only be transferred with the consent of the Trustee, or Manager, at any time and from time to time by endorsement and delivery of such evidence or instrument of transfer as the Trustee or the Transfer Agent and registrar may accept. The transfer or resale of Units (which does not include a redemption of Units) is also subject to restrictions under applicable securities legislation. You will be restricted from selling your securities for an indefinite period, subject to applicable exemptions available under securities legislation. Accordingly, redemption of the Units in accordance with the provisions set out herein is likely to be the only means of liquidating an investment in the Fund. See "Resale Restrictions".

Payment of Expenses:

The Fund shall be entitled to reimbursement from the Partnership for all costs and operating expenses actually incurred in connection with the organization of the Fund and the ongoing

activities of the Fund, including but not limited to:

- (i) management fees and expenses, accounting and legal costs, insurance premiums, custodial fees, registrar and transfer agency fees and expenses, Unitholder communication expenses, promotional expenses, organizational expenses, the cost of maintaining the Fund's existence and regulatory fees and expenses, and all reasonable extraordinary or non-recurring expenses; and
- (ii) fees and expenses relating to the Fund's investments, including the cost of securities, interest on borrowings and commitment fees and related expenses payable to lenders and counterparties, brokerage fees, commissions and expenses, and banking fees.

Financial Reporting:

The Fund will disclose on a monthly basis to Unitholders, in respect of the assets of the Partnership, its asset classes (by industry sub-sector allocations), five largest positions by security weights, number of long and short holding and gross/net, long and short exposures and volatility of the portfolio and risk/reward analysis on the portfolio of the Partnership. Audited financial statements will be prepared and forwarded to Unitholders who request same within ninety (90) days of each Fiscal Year End. Unaudited financial statements will be prepared and forwarded to Unitholders who request same on a semi-annual basis. See "Business of the Fund – Material Agreements – Fund Agreement".

Tax Considerations:

Persons investing in a trust such as the Fund should be aware of the tax consequences of investing in, holding and/or redeeming Units. Investors are urged to consult with their tax advisers to determine the tax consequences of an investment in the Fund. See "Canadian Federal Income Tax Considerations and Consequences".

Limited Liability:

The liability of each Unitholder for the debts, liabilities, obligations and losses of the Fund will be limited to the amount of capital contributed by the Unitholder, less any such amounts properly returned to the Unitholder.

Release of Confidential Information:

Under applicable anti-money laundering rules, the Trustee, the Manager or the Fund Administrator may voluntarily release confidential information about Unitholders and, if applicable, about the beneficial owners of corporate Unitholders, to regulatory or law enforcement authorities if they determine to do so in their discretion.

Risk Factors

Investors should consider a number of factors in assessing the risks associated with investing in Units including those generally associated with the investment techniques used by the Manager. A list of risk factors regarding investing in the Partnership and what the Partnership invests in is also included in this Offering Memorandum. See "Risk Factors".

Sales Commission and Compensation Paid to Sellers and Finders:

There is no commission payable by the purchaser to the Trustee or the Manager upon the purchase of the Units; however, purchasers may pay a negotiated fee if purchasing through a dealer. If an investor purchases Class A Units through a registered dealer, the registered dealer, at its discretion, may charge purchasers a front-end sales commission of up to 5% of the Net Asset Value of the Class A Units purchased by the subscriber. Any such sales commission will be negotiated between the registered dealer and the purchaser and will be payable directly by the purchaser to their dealer.

The Manager expects to pay a quarterly service fee to registered dealers whose clients have purchased Units based on the number of days in the relevant quarter that the client remains invested in the Fund. The service rate the Manager expects to pay to registered dealers is 1.00% per annum of the average daily value of the Units held by investors sold through such registered dealers. This service fee is expected to be payable on all Units, and will be in addition to any front-end sales commission that may be charged on the Class A Units. See "Compensation Paid to Sellers and Finders".

Counsel:

Bennett Jones LLP

Auditors:

KPMG LLP, Chartered Accountants

Fund Administrator:

Pinnacle Canada Fund Administration Ltd.

Prime Broker:

CIBC World Markets Inc.

USE OF AVAILABLE FUNDS

Net Proceeds and Available Funds

The net proceeds of the Offering and the total funds which are anticipated to be available to the Fund immediately following closing are as follows:

		Assuming min. offering	Assuming max. offering ⁽²⁾
A	Amount to be raised by this offering	N/A	N/A
B	Selling commissions and fees ⁽¹⁾	N/A	N/A
C	Estimated offering costs (e.g., legal, accounting, audit.)	N/A	N/A
D	Net proceeds: $D = A - (B+C)$	N/A	N/A

- (1) There is no commission to be paid when purchasing Units through the Manager. If an investor purchases Class A Units through a registered dealer, the investor may be required to pay the registered dealer a sales commission at the time of purchase. The sales commission is negotiable with the registered dealer and is payable by the investor. A 1.00% per annum service fee is expected to be paid on behalf of the Fund by the Manager, which service fee will be reimbursed by the Partnership to the Manager. See "Compensation Paid to Sellers and Finders".
- (2) There is no maximum or minimum offering amount.

Use of Net Proceeds

Description of intended use of net proceeds listed in order of priority	Assuming min. offering	Assuming max. offering ⁽¹⁾
Investment in Partnership Interests	N/A	N/A

- (1) There is no maximum or minimum offering amount. The full amount of funds raised by this Offering are expected to be invested in Partnership Interests.

The Fund intends to use the available funds as stated. The Fund will reallocate funds only for sound business reasons.

BUSINESS OF THE FUND

Structure

The Fund

The Fund is an unincorporated, open-ended mutual fund trust governed by the laws of the Province of Alberta and Canada applicable thereto. The Fund is duly constituted under the Fund Agreement made between the Trustee and the Initial Unitholder and was formed effective as of January 17, 2013 upon delivery of the settlement property to the Trustee. The principal place of business of the Partnership and of the General Partner is Suite 1920, 215 – 9th Avenue S.W., Calgary, Alberta T2P 1K3. See "Business of the Fund – Material Agreements – Fund Agreement". A copy of the Fund Agreement is available for review during business hours at the office of the Manager.

Beneficial interests in the Fund are divided into three classes of units: namely, the "Class A Units", "Class F Units" and the "Class I Units". The proceeds from the sale of Class A Units will be invested in Class A Partnership Interests except to the extent that the Fund retains any cash balances or invests directly in portfolio securities. The proceeds from the sale of Class F Units will be invested in Class F Partnership Interests except to the extent that the Fund retains any cash balances or invests directly in portfolio securities. The proceeds from the sale of Class I Units will be invested in Class I Partnership Interests except to the extent that the Fund retains any cash balances or invests directly in portfolio securities. Investors in the Fund will acquire Units and fractions thereof such that

subscription proceeds are fully invested. Units are being offered at the particular Class Net Asset Value per Unit of the respective class as determined by the Fund Administrator at the close of business on the applicable Valuation Date, but shall be \$10 for the initial Units of each class of Units. Subscriptions will be accepted on the last business day of each month and Units will be issued as of the first day of the next month. See "Business of the Fund – Material Agreements – Fund Agreement" and "Securities Offered".

The Fund, for the benefit of its Unitholders, will engage in making investments in accordance with investment objectives and restrictions as determined by the Manager, as disclosed in this Offering Memorandum. The financial instruments available for purchase and sale are not limited and shall be within the discretion of the Manager and any other adviser or sub-adviser who may be engaged from time to time by the Manager to invest the Fund Assets. Some or all of the Fund Assets may from time to time be invested in cash or other investments as the Manager may deem prudent in the circumstances (until certain regulatory relief is obtained to allow the Fund to acquire an interest in the Partnership, it is expected that all of the Fund Assets will be kept in cash and cash equivalents). The undertaking of the Fund shall include all things necessary or advisable to give effect to the Fund's investment objectives.

The Trustee

Valiant Trust Company, a trust company incorporated under the laws of Canada, is the Trustee of the Fund. The principal place of business, records office and registered office of the Trustee is 310, 606-4th Street S.W., Calgary, Alberta, T2P 1T1.

The Trustee is responsible for the management and control of business and affairs of the Fund on a day-to-day basis in accordance with the terms of the Fund Agreement. However, the Trustee, on behalf of the Fund, has retained the Manager to carry out the duties of the Trustee under the Fund Agreement and has delegated to the Manager the power and authority to manage and direct the day-to-day business, operations and affairs of the Fund. See "Business of the Fund – Material Agreements – Fund Agreement" and "Business of the Fund – Material Agreements – Investment Management Agreement".

The Manager

Kootenay, a corporation established under the laws of the Province of Alberta has been retained to act as Manager of the Fund pursuant to an Investment Management Agreement. The Manager has been retained to direct certain of the day-to-day business, operations and affairs of the Fund, including management of the Fund's portfolio on a discretionary basis. The Manager may delegate certain of these duties from time to time with the consent of the Trustee in accordance with the terms and conditions of the Investment Management Agreement. See "Business of the Fund – Material Agreements – Investment Management Agreement".

The Manager was incorporated under the laws of the Province of Alberta on September 12, 2002 and its articles were amended on October 19, 2010. The principal place of business of the Manager is Suite 1920, 215 – 9th Avenue S.W., Calgary, Alberta T2P 1K3. The Manager holds 100% of the issued and outstanding common shares in the share capital of the General Partner of the Partnership.

The Partnership

The business of the Fund will be to invest in the Partnership Interests. The following summary is intended to provide the reader with high-level information only respecting certain activities of the Partnership and certain provisions of the Limited Partnership Agreement. **For more complete information regarding the Partnership, a copy of the Offering Memorandum of the Partnership and the Limited Partnership Agreement may be requested from the Manager.**

The Partnership is a limited partnership formed under the laws of the Province of Alberta pursuant to the Partnership Act by certificate dated May 11, 2011. The Partnership is governed by the Limited Partnership Agreement dated as of May 11, 2011 and subsequently amended on May 11, 2012, made between the General Partner, and the Initial Limited Partner. The principal place of business of the Partnership and of the General Partner is Suite 1920, 215 –

9th Avenue S.W., Calgary, Alberta T2P 1K3. A copy of the Limited Partnership Agreement may be reviewed during normal business hours at the offices of the General Partner.

The General Partner

The General Partner was incorporated under the *Business Corporations Act* (Alberta) on April 14, 2011 and is a wholly-owned subsidiary of Kootenay. The General Partner may act as general partner of other limited partnerships that may be organized by the General Partner, but does not presently carry on any other business operations and currently has no significant assets or financial resources. Mr. Christopher Theal is the sole director of the General Partner. The General Partner may become a Limited Partner by purchasing Units.

The General Partner is responsible for management and control of the business and affairs of the Partnership in accordance with the terms of the Limited Partnership Agreement. The General Partner has engaged the Manager to carry out its duties, including management of the Partnership on a day-to-day basis, management of the Partnership's portfolio and distribution of the Units of the Partnership, but remains responsible for supervising the Manager's activities on behalf of the Partnership.

Our Business

The purpose of the Fund is to realize capital appreciation and investment income by investing in the Partnership Interests. The Partnership seeks to invest in long and short positions in equities in the global energy sector for the purpose of investment and realizing capital gains and investment income from such investments while protecting the principal of the Partnership.

The primary investment objective of the Fund is to realize capital appreciation and investment income by investing substantially all of its assets in the Partnership Interests, but may also invest directly in exchange-traded or OTC securities consistent with the Fund's investment objectives. Some of the Fund's assets may be kept in cash or cash-equivalents. The Manager's objective, in providing its portfolio management services, is to develop and implement from time to time an investment program and investment strategies designed to achieve this objective and to select only those investments (and make only those investment decisions) that are suitable for the Fund having regard to such objectives.

The Fund will invest in the Partnership Interests. The Manager, on behalf of the Partnership pursuant to a Partnership Investment Management Agreement, will source equity investment opportunities from a broad spectrum of global energy companies that are involved in the finding, developing, producing, refining/upgrading and distributing crude oil, natural gas, coal, biofuel and alternative energy products, as well as electricity generation and transmission providers. The Partnership will invest in both domestic and international energy companies, as well as providers of oil field services to the upstream industry. Each class of Units of the Fund shall derive its value from the Fund's investment in the corresponding Partnership Interests (i.e. the Class A Units derive their value from the Fund's investment in the Class A Partnership Interests, and so forth).

In managing the Fund and the Partnership, the Manager will employ an overriding fundamental long/short strategy that will principally rely on securities selection that identifies global energy equities that trade above or below their intrinsic value and will take positions that anticipate underlying share prices migrating to intrinsic value.

The investment objectives will be met through the employment of additional strategies, including:

- (a) event-driven opportunities;
- (b) short-term directional trades (long or short);
- (c) long-term thematic events;
- (d) risk arbitrage; and

- (e) small cap special situations.

In making investment decisions, the Manager will consider and assess the following:

- (a) an issuer's inventory of locations and an assessment of prospectively based on publicly available information;
- (b) net present value of an operators booked and unbooked assets;
- (c) an assessment of the rate of return of stated growth assets;
- (d) an assessment of management's experience, technical competency and relationship with service providers;
- (e) an assessment of the intrinsic value of equity relative to its share price;
- (f) as assessment of intrinsic value relative to undeveloped land and/or merger and acquisition prices for like assets;
- (g) relative value of the issuer in the sector and peer group;
- (h) the competitive environment and relationship with regional operators and governments;
- (i) an issuer's access to capital, balance sheet and financial flexibility;
- (j) liquidity of shares and access to borrowed stock; and
- (k) overall market conditions.

Investment Restrictions

Management of the Fund Assets will be invested according to the following guidelines:

- (a) liquidity of shares and access to borrowed stock;
- (b) the Fund shall not purchase or otherwise acquire from the Trustee or Manager any property or interest therein;
- (c) the Fund will not guarantee the securities or obligations of any Person, except as required by brokerage firms or other lending institutions to borrow money;
- (d) the Manager aims to make long investments in securities of issuers which, the Manager believes, trade below its assessment of intrinsic value;
- (e) the Manager aims to invest in short positions in securities of issuers which, the Manager believes trade well above intrinsic value;
- (f) the Manager invests in listed securities and only unlisted securities prior to an initial public offering;
- (g) the Fund shall not make direct investments in commodity futures contracts;
- (h) the Fund will not seek or take legal or management control of an issuer or any of its underlying investments;
- (i) the Fund shall establish a single position limit of 15% of long-only investments;

- (j) the Fund shall use leverage primarily to fund short sales;
- (k) the Fund may employ put and call option strategies for hedging purposes; and
- (l) the Manager may retain a portion of assets in cash in order to be responsive to market and investment opportunities.

In addition to the foregoing, there are statutory provisions which restrict or prohibit certain non-arm's length transactions.

There can be no assurances that the Fund will achieve its investment objective.

The above described investment strategies which may be pursued by the Fund are not intended to be exhaustive and other strategies may also be employed. The actual strategies utilized by the Manager will depend upon its assessment of market conditions and the relative attractiveness of the available opportunities. The Manager may, in its sole and absolute discretion, use strategies other than those described above or discontinue the use of any strategy without advance notice to Unitholders. While the Manager typically will try to minimize risk in selecting investments, it should be understood that the risk management techniques utilized by the Manager cannot provide any assurance that the Fund will not be exposed to risks of significant investment losses. Please refer to "Risk Factors" for more information.

Development of Business

The primary investment objective of the Fund is to realize capital appreciation and investment income by investing substantially all of its assets in the Partnership Interests.

The Partnership was launched on July 19, 2011. Below we provide a review of the annual performance of the Partnership in reverse chronological order. To begin, the Partnership generated a return of 9.96% in the first quarter of 2014, which compared with the S&P/TSX Capped Energy Total Return Index of 9.65%. The performance of the Partnership built upon two core top-down allocation considerations, with the Manager having a strong view on natural gas prices and sector fundamentals for the oil field services sector. While over the past two years, the Canadian energy industry had underperformed the US energy sector – largely due to market access constraints for Canadian oil and natural gas – sentiment has markedly shifted to the positive for the Canadian energy sector. In the first quarter of 2014, Canadian indices outperformed their US counterparts, most notably in energy, and more specifically, in oil field services. Reflecting a more positive environment, the Partnership increased its long exposure through winter 2013/14, with the Partnership's Beta to the Capped Energy Index averaging 0.78 during the first quarter of 2014. Reflecting the Partnership's Beta, the strategy generated a risk adjusted excess return of 2.4% in the first quarter of 2014.

Through the course of 2013, the Partnership grew increasingly confident in the Canadian energy industry resolving the real or perceived market access issues for its energy products. To start, crude-by-rail significantly grew from virtually zero to close to 1 million barrels per day by the end of 2013. The effect of this was most material for light and heavy crude oil price differentials. Early in 2013, the Partnership allocated a significant amount of capital to own pure unhedged heavy oil producers that were positioned to benefit from a drastic narrowing of price discounts for heavy oil. Additionally, an increasing line of sight to early step-function growth in resource delineation for LNG export projects caused the Partnership to make the oil field services sector the largest weight in February 2013 and the TSX Energy Equipment and Services Index (STENRE), with an annual return of 24%, was the best performing sub-index in the Canadian energy complex in 2013. During the summer of 2013, western Canadian natural gas prices detached from NYMEX gas prices, with the AECO gas price falling to as low as US\$1.66/mmbtu in September 2013. Viewed as a temporary market condition, the Partnership increased the allocation to liquids-rich gas producers to the largest sub-sector weight, taking profits from select heavy oil and oil field services exposures. These top-down considerations dominated return attribution for the Partnership in 2013.

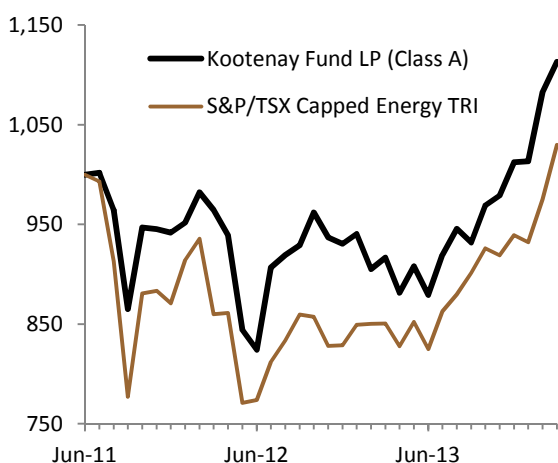
For the year ended December 31, 2013, the Partnership generated a return of 8.79%, which compared with the S&P/TSX Capped Energy Total Return Index of 13.32%. The Partnership's Beta to the Index was 0.45 in 2013,

which was a result of fund volatility of 10% vs. the Index at 14% and low R-squared of 0.37 to the Benchmark. As such, when reflecting the fund's lower capital at risk for the period, the Partnership generated Alpha (risk-adjusted excess return) of 2.3% relative to the Index. Consistent with a true long/short strategy, the result underscores the Partnership's objective to target excess returns per unit of risk.

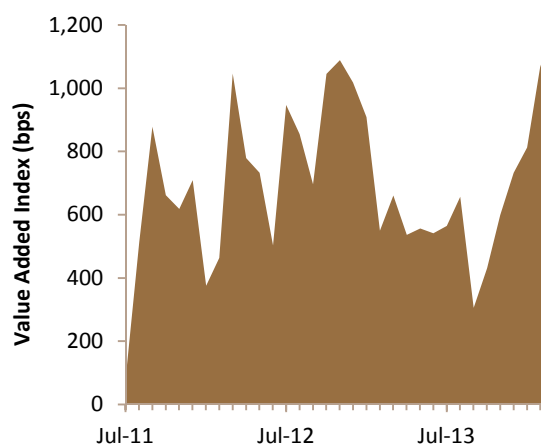
For the year ended December 31, 2013 the Fund generated a return of 6.07%, differing from the return for the Partnership as a result of the Fund's inception date of January 31, 2013 limiting the comparable period.

As at March 31, 2014	1Q14	2013 ⁽¹⁾	Since Inception ⁽¹⁾	Value Added ⁽¹⁾
Kootenay Global Energy Absolute Return Fund Limited Partnership ⁽²⁾	9.96%	8.79%	4.05%	2.96%
Kootenay Energy RSP Fund ⁽³⁾	9.96%	6.07%	14.16%	N/A
S&P/TSX Capped Energy Total Return Index	9.65%	13.32%	1.09%	

Relative Performance^(1,2)



Value Added Index⁽⁴⁾



- (1) Returns are annualized since inception of the Partnership on July 19, 2011 and are as at March 31, 2014.
- (2) Partnership returns are net of transaction costs, management and performance fees.
- (3) The Kootenay Energy RSP Fund inception was on January 31, 2013. As such, results in 2013 do not reflect a full year of performance and are not representative for comparative purposes. Returns on a go forward basis resemble the returns of the Kootenay Global Energy Absolute Return Fund Limited Partnership.
- (4) Value Added Index is the Partnership's return relative to the S&P/TSX Capped Energy Total Return Index since inception.

In 2012, the S&P/TSX Capped Energy Index began performing generally in line with broader North American equity indices. The year was characterized by continued shorter market cycles of risk on / risk off volatility, largely correlated with actual or anticipated market intervention by global central banks. Broad market weakness in the second quarter of 2012 was pronounced and concluded with a broad market selloff following no central bank intervention by the US Federal Reserve in June 2012. Incremental to these underlying global macro trends was a continued underperformance for Canadian energy prices and equities. Growth in heavy and light oil volumes increasingly faced constrained takeaway capacity, bottlenecking Canadian crude from accessing tidewater market prices, resulting in widening price differentials for both heavy and light oil. At the same time, significant fuel switching from coal to gas was triggered after a warm winter, setting the stage for a recovery in natural gas prices in the second half of the year. In this environment, the Partnership maintained a disciplined long / short strategy, with an objective of managing risk and volatility. In 2012, the Partnership's Beta to the S&P/TSX Capped Energy Total Return Index was 0.55, with fund volatility averaging 14.9% versus the volatility of the Index of 20.6%. In 2012, the Partnership saw a slight decline in value of 1.18%, outperforming the benchmark S&P/TSX Capped Energy Total Return Index performance of a decline of 4.83%. With the oil price differential headwinds, the Canadian energy market underperformed the S&P/TSX Composite return of 7.19% and the S&P500 Index return of 16.00%.

As at March 31, 2014, the Partnership had generated a return since inception of 11.32% vs. the Index return of 2.97%, outperforming the S&P/TSX Capped Energy Total Return Index by 835 bps (296 bps annualized). The Partnership's Beta has averaged 0.48, with fund volatility of 14.0%, vs. Index volatility of 21.5%.

In the Partnership's view, the outlook for the Canadian energy sector is very strong in 2014. The combination of a record natural gas storage drawdown in North America and resultant price strength for natural gas, geopolitical risks buoying global oil prices and the potential for step-function change in oil field services activity on fiscal clarity for British Columbia's LNG exports, paints a compelling thesis for outperformance in 2014. As at the end of the first quarter of 2014, the Partnership's top sector exposures were weighted to oil field services and natural gas producers.

Objectives

The Fund's objectives (both long and short-term) are to maximize returns while minimizing risk. The Fund's underlying fundamental long/short strategy targets investing in the Partnership Interests. The Partnership in turn invests in opportunities that have been selected as having the potential to generate significant capital appreciation and income. In managing the Partnership, the Manager focuses on risk minimization objectives which are expected to be met by managing a diversified portfolio of long and short securities, controlling asset concentration and limiting the Partnership's holdings of small capitalization equities. The objective is to maintain volatility below the broad market, so as to maximize return per unit of risk. The following table sets out the Fund's objectives for the next twelve months and how the Fund intends to meet those objectives.

	Target completion date or, if not known, the number of months to complete	Our cost to complete
What we must do and how we will do it		
Invest proceeds from this Offering in the Partnership Interests	Ongoing	None, other than regular commission and prime brokerage rates

Insufficient Proceeds

The proceeds of this Offering may not be sufficient to accomplish all of the Fund's proposed objectives and there is no assurance that alternative financing will be available. See "Risk Factors".

Material Agreements

Limited Partnership Agreement

The Limited Partnership Agreement was amended on May 11, 2012 to revise the capital of the Partnership to introduce three classes of Partnership interests: namely, the Class A Units, Class F Units and Class I Units of the Partnership. Elsewhere in this Offering Memorandum, the Class A Units of the Partnership are referred to as the Class A Partnership Interests, the Class F Units of the Partnership are referred to as the Class F Partnership Interests and the Class I Units are referred to as the Class I Partnership Units and collectively, as Partnership Interests and individually as a Partnership Interest. However, for the purposes of this summary of "The Partnership" only, the Partnership Interests will be referred to as "Units" which term refers to any class of Partnership Interests. A holder of Partnership Interests is a "Limited Partner" for the purposes of this summary.

For the purposes of the following summary of the Limited Partnership Agreement, the following definitions apply.

"High Water Mark" in respect of a Unit means, initially, its subscription price and thereafter shall be adjusted from time to time to equal its Net Asset Value immediately following the payment of a Quarter End Distribution;

"Net Asset Value" means the value of the assets less the amount of the liabilities of the Partnership (including reserves);

"Net Asset Value of the Partnership" on any Valuation Date shall mean the value of the Partnership's assets less an amount equal to its liabilities (including reserves made in accordance with the provisions of the Limited Partnership Agreement and any Selected Amount) on such date (without regard to subscriptions or redemptions);

"Net Asset Value per Unit" means the Net Asset Value of such class or series of Units of the Partnership on a Valuation Date calculated by the General Partner having regard to the Net Asset Value of such class or series relative to the Net Asset Value of the Partnership on the previous Valuation Date (following payment of fees payable to the Manager and to the General Partner and of any Quarter End Distribution or Redemption Distribution, if any, on such previous Valuation Date, and adjusted for subscriptions, redemptions, conversions and redesignations), the increase or decrease in Net Asset Value of the Partnership from the previous Valuation Date to the current Valuation Date, and any fees payable to the Manager in respect of Units of such class or series and of any Quarter End Distribution or Redemption Distribution;

"Quarter End Distribution" means a distribution to the General Partner on the last Valuation Date of each fiscal quarter (including upon termination of the Partnership) amount as is equal to 20% of the positive amount, if any, obtained when the High Water Mark for such Unit is subtracted from the Adjusted Net Asset Value of such Unit on such Valuation Date (if such amount is negative, the Quarter End Distribution in respect of such Unit shall be zero). Any amount so distributed to the General Partner shall be deducted from the Net Asset Value of the series to which such Unit belongs at such time;

"Redemption Date" means a Valuation Date on which Units are to be redeemed;

"Redemption Distribution" means a distribution to the General Partner on each Redemption Date equal to twenty (20%) percent of the positive amount if any, obtained when the High Water Mark for such Unit is subtracted from the Adjusted Net Asset Value of such Unit on such Redemption Date (if such amount is negative, the Redemption Distribution in respect of such Unit shall be zero). Any amount so distributed to the General Partner shall be deducted from the redemption proceeds otherwise payable to the holder of the Unit so redeemed; and

"**Valuation Date**" means the first business day of each month, the business day immediately preceding any Subscription Date not occurring on the first business day of each month, and such other date(s) as the General Partner may in its discretion designate.

Net Asset Value of the Partnership

The Net Asset Value of the Partnership and the Net Asset Value Per Unit will be determined as of the close of business on each Valuation Date by the General Partner in accordance with the Limited Partnership Agreement.

The Net Asset Value of the Units will generally increase or decrease proportionately with the increase or decrease in the Net Asset Value of the Partnership and the Net Asset Value per Unit shall be determined by dividing the Net Asset Value of the Units by the number of Units outstanding.

Valuation Principles

The Net Asset Value shall be calculated by the General Partner, or any third party engaged by the General Partner, by applying the following rules:

- (a) The value of any cash on hand or on deposit, bills, demand notes, accounts receivable, prepaid expenses, dividends receivable (if such dividends are declared and the date of record is before the date as of which the Net Asset Value of the Partnership is being determined) and interest accrued and not yet received, shall be deemed to be the full amount thereof, unless the General Partner determines that any such deposit, bill, demand note, account receivable, prepaid expense, dividend receivable or interest accrued and not yet received is not worth the full amount thereof, in which event the value thereof shall be deemed to be such value as the General Partner determines to be the reasonable value thereof.
- (b) The value of any security which is listed or dealt in upon a public securities exchange will be valued at the last available trade price on the Valuation Date or if the Valuation Date is not a business day, on the last business day preceding the Valuation Date. If no sales are reported on such day, such security will be valued at the average of the current bid and asked prices. If the closing price is outside the bid-ask range, the average of the bid-ask range will be used. Securities that are listed or traded on more than one public securities exchange or that are actively traded on over-the-counter markets while being listed or traded on such securities exchanges or over-the-counter markets will be valued on the basis of the market quotation which, in the opinion of the General Partner, most closely reflects their fair value.
- (c) Any securities which are not listed or dealt in upon any public securities exchange will be valued at the simple average of the latest available offer price and the latest available bid price (unless in the opinion of the General Partner such value does not reflect the value thereof and in which case, the latest offer price or bid price as best reflects the value thereof should be used), as at the Valuation Date.
- (d) The value of any restricted security shall be the lesser of (i) the value thereof based on any available reported quotations in common use and (ii) that percentage of the market value of securities of the same class, the trading of which is not restricted or limited by reason of any representation, warranty or agreement or by law, equal to the percentage that the acquisition cost thereof was of the market value of such securities at the time of acquisition thereof.
- (e) All Partnership property valued in a foreign currency and all liabilities and obligations of the Partnership payable by the Partnership in foreign currency shall be converted into Canadian funds by applying the rate of exchange obtained from the best available sources to the General Partner or to the third party engaged by the General Partner to calculate Net Asset Value.
- (f) Each transaction of purchase or sale of portfolio securities effected by the Partnership will be reflected in the computation of the Net Asset Value of the Partnership on the trade date.

- (g) The value of any security or property to which, in the opinion of the General Partner, the above principles cannot be applied (whether because no price or yield equivalent quotations are available or for any other reason), shall be the fair value thereof determined in such manner as the General Partner may from time to time determine based on standard industry practice.
- (h) Short positions will be marked-to-market, i.e. carried as a liability equal to the cost of repurchasing the securities sold short applying the same valuation techniques described above.
- (i) All other liabilities shall include only those expenses paid or payable by the Partnership, including accrued contingent liabilities; however, expenses and fees allocable only to a class and series of Units shall not be deducted from the Net Asset Value of the Partnership for the purpose of determining the Net Asset Value of each class and series, and shall thereafter be deducted from the Net Asset Value so determined for each such class and series.

The General Partner and the Manager may determine such other rules as they deem necessary from time to time, which rules may deviate from GAAP.

Net asset value calculated in this manner will be used for the purpose of calculating the Manager's (and other service providers') fees and will be published net of all paid and payable fees. Such Net Asset Value will be used to determine the subscription price and redemption value of Units. To the extent that such calculations are not in accordance with GAAP, the financial statements of the Partnership will include a reconciliation note explaining any difference between such published Net Asset Value and Net Asset Value for financial statement reporting purposes (which must be calculated in accordance with GAAP).

Expenses

The Partnership is responsible for all costs incurred by it in connection with the organization of the Partnership and the ongoing activities of the Partnership, including but not limited to:

- (a) management fees and expenses, which include the Manager's fees, accounting and legal costs, insurance premiums, custodial fees, registrar and transfer agency fees and expenses, Limited Partner communication expenses, promotional expenses, organizational expenses, the cost of maintaining the Partnership's existence and regulatory fees and expenses, and all reasonable extraordinary or non-recurring expenses; and
- (b) fees and expenses relating to the Partnership's portfolio investments, including the cost of securities, interest on borrowings and commitment fees and related expenses payable to lenders and counterparties, brokerage fees, commissions and expenses, and banking fees.

To the extent that such expenses are borne by the General Partner or Manager, the General Partner or Manager, as the case may be, shall be reimbursed by the Partnership from time to time. Expenses attributable to a particular class of Partnership Interests will be deducted from the Net Asset Value of such class.

General Partner Distribution

On the last Valuation Date of each fiscal quarter and in respect of each Unit then outstanding, the General Partner will receive a Quarter End Distribution. Any such amount distributed to the General Partner will be deducted from the Net Asset Value of the series to which such Unit belongs to at such time. On each Redemption Date, the General Partner will receive a Redemption Distribution in respect of each Unit being redeemed. Any amount distributed to the General Partner as a Redemption Distribution will be deducted from the redemption proceeds otherwise payable to the Unitholder of the Units being redeemed.

The General Partner is entitled to receive any or all of the value of the Quarter End Distribution or the Redemption Distribution amount to which it is entitled in Partnership Interests rather than as a cash payment. The high water mark for a Partnership Interest will initially be its subscription price. Thereafter, the high water mark will be

adjusted following the date on which a General Partner Distribution is paid in respect of such Unit to be equal to the net asset value of such Partnership Interest on such date. The high water mark will not be subject to reduction or reset.

Management Fees

The Manager is entitled to receive an asset-based management fee payable in such amounts and at such intervals as the General Partner and the Manager agree to from time to time, provided the affected Limited Partners are notified in advance of such fees. The General Partner must give to the Limited Partners not less than 60 days' notice of any proposed change to the method of calculation of the management fee, if, as a result of such change, the management fee will be paid more frequently or could result in increased fees or distributions being paid by the Partnership.

Fund Agreement

The rights and obligations of the Unitholders of the Fund are governed by the Fund Agreement. The Fund was formed effective as of January 17, 2013 upon delivery of the settlement property to the Trustee. The following is a summary of the Fund Agreement entered into by the Trustee and the Initial Unitholder. **This summary is not intended to be complete and each investor should carefully review the Fund Agreement itself for full details of these provisions.**

The Units

To become a Unitholder, a subscriber must acquire Units in the Fund by means of a submitting a Subscription Agreement or by using the mutual fund order entry system FundSERV. The acceptance of any such subscription in whole or in part shall be subject to the Manager, on behalf of the Trustee, in its sole discretion. The Fund may issue an unlimited number of Units, initially represented by three classes of Units, designated as "Class A Units", "Class F Units" and "Class I Units" respectively. Each class of Units shall derive its value from the Fund's investment in the corresponding class of Partnership Interests (i.e. the Class A Units derive their value from the Fund's investment in the Class A Partnership Interests, and so forth) and will have the following rights, privileges and restrictions:

- (a) each class of Units represents an equal undivided beneficial interest in any distribution made to that class of Units from the Fund and to participate *pro rata* with the other Unitholders of that particular class of Units in the Class Net Asset Value of such class of Units of the Fund in the event of the termination or winding-up of the Fund;
- (b) Units are transferable only with the consent of the Trustee;
- (c) all Units shall rank among themselves equally and rateably without discrimination, preference or priority;
- (d) each Unit shall entitle the holder thereof to one vote at all meetings of Unitholders or in respect of any written resolution of Unitholders and to one vote at all meetings of Unitholders where the Units vote as separate classes;
- (e) the issued and outstanding Units may be subdivided or consolidated from time to time by the Trustee without notice to or approval from the Unitholders; and
- (f) no Units of, or other investments in, or Securities of, the Fund or any other securities which derive all or substantially all of their value from Securities issued by the Fund, shall, at any time, be listed on a stock exchange or other market, including for greater certainty, any organized listing or quotation system that supports over-the-counter trading or "public market" as defined in section 122.1 of the Tax Act.

The Trustee has the discretion, and will delegate discretion to the Manager, to determine at any time and from time to time whether the capital of the Fund is to be divided or consolidated into one or more classes of Units, the attributes that shall attach to each class of Units and whether any class of Units should be redesignated as a different class of Units. The Trustee will make such amendments and restatements to the Fund Agreement as the Trustee, on

the advice and instruction of the Manager, considers necessary or appropriate to establish and provide for any additional class of Units without prior notice to, or the approval of, Unitholders.

On the first closing, Units will be issued at a Class Net Asset Value per Unit of \$10. On each successive Subscription Date on which Units are issued, Units will be issued at the most recently calculated Class Net Asset Value per Unit. All changes in Class Net Asset Value (i.e. all income and expenses, and all unrealized gains and losses) of the Fund shall be borne by that particular class of Units. The Class Net Asset Value per Unit of each class shall be calculated by dividing the Class Net Asset Value of such respective classes by the number of Units of such classes then outstanding, and subject to adjustment as determined by the Trustee, as delegated to the Manager.

Each Unit of a particular class entitles the holder thereof to participate *pro rata*, in accordance with the provisions of the Fund Agreement, with respect to all distributions made to that class (except to the extent that the Manager has agreed with an investor to rebate certain fees through a special distribution) and, upon liquidation of the Fund, to participate *pro rata* with the other Unitholders of that same class in the Class Net Asset Value remaining after the satisfaction of outstanding liabilities of the Fund and the class. Once the Class Net Asset Value per Unit thereof has been paid, Units shall be non-assessable so that there shall be no liability for future calls or assessments with respect to the Units. Each Unit of a particular class may be redesignated by the Manager, on behalf of the Trustee, as a Unit of another class based on the respective Class Net Asset Value per Unit for each of the three classes of Units on the date of the redesignation. Fractional Units of a Class may be issued and shall be proportionately entitled to all the same rights as whole Units of that same class, except voting rights (however fractional Units held by a single Unitholder may be combined). There is no limit to the number of Units or classes that may be issued and there shall be no pre-emptive rights attaching to any class of Units.

Limitations on Non-Resident Ownership

At no time shall the Fund be established or maintained primarily for the benefit of Non-Residents and at no time may Non-Residents be the beneficial owners of more than 45% of the Units, on a non-diluted and fully-diluted basis. The Manager will use commercially reasonable efforts to monitor the beneficial ownership of the Units (or rights to acquire Units) and may require declarations as to the jurisdictions in which beneficial owners of the Units are resident. If either the Manager or the Trustee becomes aware that the beneficial owners of 45% or more of the Units (or Units and rights to acquire Units) then outstanding are, or may be, Non-Residents or that such a situation is imminent, the Trustee may make a public announcement thereof and shall not accept a subscription for Units from, or issue or register a transfer of Units to, a Person unless such Person provides a declaration in form and content satisfactory to the Trustee that such Person and, if applicable, the proposed beneficial owner of such Units, is not a Non-Resident. If, notwithstanding the foregoing, the Trustee determines that more than 45% of the Units on a non-diluted and fully-diluted basis, are held by Non-Residents, the Trustee may send a notice to the registered holders of the Units beneficially owned by Non-Residents, requiring them to sell or redeem their Units or a specified portion thereof to a Resident or Residents within a specified period of not more than 60 days. If the Unitholders receiving notice have not, within such period, sold or redeemed the specified number of Units to a Person who is not a Non-Resident or provided the Trustee with satisfactory evidence that the beneficial owners of such Units are not Non-Residents, the Trustee may, as agent and attorney acting on behalf of such Unitholders and/or such beneficial owners, sell or redeem such Units and, in the interim, the Manager shall suspend the voting and distribution rights attached to such Units. Upon the sale or redemption, the affected Unitholders will no longer be holders of the relevant Units and their rights shall be limited to receiving the net proceeds of sale of such Units.

No liability shall accrue to the Fund, the Manager or the Trustee if Units beneficially owned by a Non-Resident are sold at a loss to such Non-Resident or to any other Person. Furthermore, the Trustee shall not be liable for any violation of the Non-Resident beneficial ownership restriction which may occur during the term of the Fund. If the Tax Act is (or is proposed to be) amended in a manner which places new restrictions on Non-Residents beneficially owning Units, the Manager or the Trustee may take any action they consider necessary and in the best interests of the Unitholders to ensure, to the extent possible, that the Fund maintains its status as a "mutual fund trust" for the purposes of the Tax Act.

As the Units have been issued pursuant to exemptions from the prospectus requirements under applicable securities laws, all Units are subject to certain resale restrictions. See "Resale Restrictions". There is no market through

which the Units may be sold and none may develop. Investors may find it difficult or impossible to sell or transfer their Units.

Determination of Class Net Asset Value

The Fund will determine the Class Net Asset Value and Class Net Asset Value per Unit from time to time and such determination will be binding on the Unitholders. The Class Net Asset Value for each class of Units will equal the fair market value of the corresponding class of Partnership Interests plus the market value of any other Fund Assets attributable to such class of Units as of the Valuation Time, less any amount equal to any liabilities attributable to such classes of Units of the Fund as at the Valuation Time.

The Trustee, or as delegated, the Manager, may make such adjustments to the calculation of the Class Net Asset Value per Unit for any class of Units of the Fund as it determines to be necessary and reasonable to account for the payment of any distributions on any class of Units, any Unit splits or consolidations or any other event or matter that would, in the reasonable opinion of the Trustee, impact upon the computation of the relevant Class Net Asset Value per Unit.

For the purposes of determining the Class Net Asset Value of the Fund and Class Net Asset Value per Unit, the assets attributable to a particular class of Units of the Fund shall be deemed to include:

- (a) all liquid assets, which shall mean cash or Cash Equivalents (including cash of other countries if conversion into Canadian currency can be readily effected), on hand, on deposit, or on call, including any accrued interest thereon;
- (b) all bills and demand notes, accounts receivable, and prepaid expenses;
- (c) all bonds, time notes, shares, subscription rights, and other securities owned or contracted for by the Fund;
- (d) all cash distributions to be received by the Fund from the Partnership and not yet received by it but declared to unitholders of record of any units of the Partnership on a date on or before the date as of which the Class Net Asset Value of the Fund and Class Net Asset Value per Unit are being determined;
- (e) all interest accrued on any interest-bearing securities owned by the Fund (except interest accrued on securities in default which is included in the quoted price); and
- (f) all other property of every kind and nature;

acquired with funds raised through the issuance of Units of such class or relating to the use of such funds.

The value of the assets attributable to a particular class of Units of the Fund shall be determined as follows:

- (a) The value of any cash on hand or on deposit or on call, bills and notes, accounts receivable, prepaid expenses, dividends declared or distributions received (or to be received and declared to securityholders of record on a date before the date as of which the Class Net Asset of the Fund is determined), and interest accrued and not yet received shall be deemed to be the full face amount thereof unless the Trustee determines that any such call, bill, note, account receivable, prepaid expense, dividend declared or distribution received, or interest accrued is not worth the face amount thereof, in which case the value thereof shall be deemed to be such value as the Trustee shall deem to be the fair value thereof.
- (b) Short-term investments, including notes and Cash Equivalents, shall be valued at their cost at the time of purchase and any income earned shall be amortized on a straight-line basis.
- (c) The value of any bonds, debentures, and other debt obligations shall be valued at the last traded price on the Valuation Date, or at such times as the Trustee in its discretion, deems appropriate, if the last traded price is not current or accurate, by taking the average of the closing bid and ask prices on a Valuation Date.

- (d) The value of the Class A Partnership Interest, Class F Partnership Interest and Class I Partnership Interest shall be the "Net Asset Value Per Unit", as defined in the Partnership Agreement of all such units making up such Class A Partnership Interest, Class F Partnership Interest or Class I Partnership Interest, as applicable.
- (e) The value of any security that is listed or dealt with on a securities exchange shall be the closing sale price (unless it is determined by the Trustee, or Manager, that this is inappropriate as a basis for valuation) or, if there is no closing sale price on that exchange, at the average of the closing ask price and the closing bid price or at a price no higher than the closing ask price and no lower than the closing bid price as determined by the Trustee, or Manager. If there are no bid or ask quotations in respect of securities listed on a securities exchange or traded on an OTC market, then a realistic and fair valuation will be made by the Trustee.
- (f) Units of any mutual fund or investment fund in which the Fund invests will be valued at the most recent net asset value quoted by the trustee or manager of the mutual fund or investment fund on the Valuation Date.
- (g) Unlisted securities are valued at the average of the most recent bid and asked prices quoted by a recognized dealer in such unlisted securities or such price as the Trustee, or Manager, may from time to time determine more accurately reflects the fair value of these securities.
- (h) Restricted securities purchased by the Fund will be valued in a manner that the Trustee, or Manager, reasonably determine to represent their fair market value.
- (i) Long positions in clearing corporation options, options on futures, OTC options, debt like securities, and listed warrants shall be at the current market value thereof.
- (j) Where a covered clearing corporation option, option on futures, or OTC option is written by the Fund, the premium received by the Fund will be reflected as a deferred credit that will be valued at an amount equal to the current market value of the clearing corporation option, option on futures, or OTC option that would have the effect of closing the position. Any difference resulting from revaluation will be treated as an unrealized gain or loss on investment; the deferred credit shall be deducted in arriving at the Class Net Asset Value of the Fund or the Class Net Asset Value per Unit. The securities, if any, that are the subject of a written covered clearing corporation option or OTC option will be valued in the manner described above for listed securities.
- (k) The value of a futures contract, forward contract, or swap will be the gain or loss, if any, that would be realized if, on the Valuation Date, the position in the futures contract, forward contract, or swap, as the case may be, were to be closed out, unless daily limits are in effect, in which case fair value, based on the current market value of the underlying interest, will be determined by the Trustee or the Manager.
- (l) Notwithstanding the foregoing, if securities are inter-listed or traded on more than one exchange or market, the last sale price or the closing bid price, as the case may be, reported on the exchange or market determined by the Trustee to be the principal exchange or market for such securities will be used.
- (m) Margin paid or deposited in respect of futures contracts and forward contracts will be reflected as an account receivable and margin consisting of assets other than cash will be noted as held as margin.
- (n) Other derivatives and margin shall be valued in a manner that the Trustee, or the Manager, reasonably determines to represent its fair market value.
- (o) All other assets will be valued in accordance with the laws of the Canadian securities regulatory authorities and in a manner that, in the opinion of the Trustee or the Manager most accurately reflects their fair value.
- (p) The value of any security or other property of the Fund for which a market quotation is not readily available or to which, in the opinion of the Trustee, or Manager, the above principles cannot be applied or

for which, in the opinion of the Trustee, or Manager, the market quotations do not properly reflect the fair value of such securities, will be determined by the Trustee, or Manager, by valuing the securities at such prices as appear to the Trustee to most closely reflect the fair value of the securities.

With respect to determining liabilities of the Fund, the liabilities attributable to a particular class of Units shall be deemed to include:

- (a) all bills and accounts payable;
- (b) all administrative expenses payable and/or accrued;
- (c) all contractual obligations for the payment of money or property, including the amount of any declared but unpaid distribution, and all other amounts recorded or credited to the Unitholders on or before the day as of which the Class Net Asset Value of the Fund or Class Net Asset Value per Unit are being determined;
- (d) all allowances authorized or approved for taxes or contingencies;
- (e) all expenses incurred by the Fund which are not reimbursable by the Partnership pursuant to the terms of the Investment Management Agreement; and
- (f) all other liabilities of the Fund of whatever kind and nature, except liabilities represented by outstanding Units of the Fund;

attributable to such class of Units, provided that any expenses of the Fund payable by a Unitholder as determined by the Trustee shall not be included as expenses of the Fund.

The Trustee may adopt accounting policies from time to time relating to amounts of assets, liabilities, income, and expenses of the Fund.

Unit Distributions

Distributions received by the Fund in respect of the Partnership Interests will be distributed to Unitholders within five days of receipt by the Fund. Unitholders of Class A Units will be entitled to their *pro rata* share of any distributions received by the Fund with respect to the Fund's Class A Partnership Interest, and so forth for the Class F Units and the Class I Units of the Fund. The Manager, on behalf of the Trustee, may also declare payable and make distributions from time to time out of amounts received in respect of the Partnership Interests, the capital of the Fund or otherwise at such time as the Trustee may determine, to any Unitholder who redeems Units in order to equitably allocate available distributable income and any tax obligations related thereto, to that redeeming Unitholder.

The Trustee may reserve any amount that it determines necessary to pay liabilities and obligations of the Fund which have not otherwise been provided for. Any amounts so reserved which are not used shall be invested in Cash Equivalents. The Trustee may at any time release the reserved amounts and any interest earned thereon for distribution to the Unitholders with regard to the class of Partnership Interest from which the funds were derived.

Each year, the Manager, on behalf of the Trustee, will make designations and elections in respect of the amounts payable to Unitholders, whether such amounts are payable on a distribution, redemption or otherwise, including, without limitation, designations relating to taxable and eligible dividends received or deemed to be received by the Fund in the year, net capital gains realized by the Fund in the year and foreign source income of and foreign taxes paid by the Fund for the year, as well as elections under subsections 104(13.1) and/or 104(13.2) of the Tax Act that income be taxed to the Fund, rather than to the Unitholders. Distributions payable to Unitholders will be deemed to be distributions of income of the Fund, Net Realized Capital Gains of the Fund, capital of the Fund or other items in such amounts as the Trustee shall, as directed by the Manager, determine, provided any profits attributable to the Fund's Partnership Interests shall be allocated to the corresponding class of Units of the Fund in accordance with their *pro rata* share.

Subject to notice being given by a Unitholder, all distributions payable to a Unitholder will be reinvested in the Fund by way of the acquisition of additional Units of the same class, including fractional Units, at the Class Net Asset Value per Unit of the Fund of such class of Units on the Distribution Record Date for that distribution in lieu of making a cash distribution. If a Unitholder has complied with the conditions prescribed by the Trustee in order to receive a cash distribution but the Manager, on behalf of the Trustee, determines that the Fund has insufficient funds to make a cash distribution, then the payment may include, subject to any Applicable Laws and the receipt of necessary Approvals, a *pro rata* issuance of additional Units or fractions of Units, a *pro rata* distribution of Fund Assets and, or, a *pro rata* issuance of demand unsecured promissory notes exchangeable for Units of the same class.

The Manager, on behalf of the Trustee, may deduct or withhold from any amount payable to a Unitholder all amounts required by Applicable Law to be withheld from such payment. All withheld amounts will be remitted to the appropriate Governmental Authority and shall be treated for all purposes as having been paid to the Unitholder.

Allocation of Income and Loss

Income and loss for taxation purposes, as well as taxable capital gains and allowable losses, of the Fund (as determined for purposes of the Tax Act) shall be allocated, to Unitholders receiving distributions.

Redemptions

A Unitholder shall be entitled to redeem some or all of such Unitholder's Units on the Valuation Date. Redemption requests may only be made if the Manager, on behalf of the Trustee, receives a written request for such redemption within thirty (30) days prior to the Valuation Date. Orders received after that specified time will be effective on the next following redemption date. The Manager may specify any minimum notice periods or other conditions of redemption it may impose before it will consider redemption requests.

The Unitholder will receive the Redemption Price within thirty-five (35) business days of the Valuation Date. The Redemption Price may consist of both a return of capital and an income distribution. The Manager will deduct from the Redemption Price an early redemption surcharge for any Units redeemed prior to the expiry of 180 days from the date of purchase in accordance with the Fund's offering documents.

The Manager, on behalf of the Trustee, may suspend redemptions (either in whole or in part) at any time if: (i) at the time the Units are tendered for redemption, the Class Net Asset Value of the Fund is not representative of the fair market value of the Fund Assets as determined by the Manager, in its sole discretion; (ii) the Manager reasonably believes, in its sole discretion, circumstances exist which render impractical the sale of the Fund Assets or impair the ability of the Fund to accurately determine the Class Net Asset Value of the Fund; or (iii) the ability of the Fund to redeem any of its Partnership Interests has been suspended or terminated. The Manager will advise the Unitholders who have requested a redemption if redemptions will be limited or suspended on such Valuation Date. Redemption requests which are rejected as at a Valuation Date will be accepted on the next Valuation Date on which redemption requests are honoured. Redemption requests are irrevocable unless they are not honoured on a Valuation Date, in which case they may be withdrawn within fifteen (15) days following such Valuation Date.

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

Appointment and Removal of the Trustee

The Trustee is appointed as the Trustee of the Fund until it resigns, is removed or disqualified in accordance with the terms of the Fund Agreement, or it ceases to be a resident of Canada for purposes of the Tax Act.

The Unitholders may remove any Trustee or Trustees from office, by resolution approved by sixty-six and two-thirds (66 $\frac{2}{3}$ %) percent of the votes cast at a meeting of Unitholders called for that purpose or by the written consent

of the Unitholders holding in the aggregate not less than sixty-six and two-thirds (66⅔%) percent of the outstanding Units entitled to vote thereon. Any Trustee or Trustees may be removed from office for cause by resolution passed by not less than two-thirds of the remaining Trustees, if any. Any removal of a Trustee is to take effect immediately following the aforesaid vote or resolution, and the vacancy created by such removal may be filled at the meeting of Unitholders at which the Trustee is removed.

Functions and Powers of the Trustee

The Trustee has the full power and authority over the assets and the affairs of the Fund and to do all acts and things in its sole judgment and discretion as are necessary in order to carry out the trust created under the Fund Agreement. The Trustee will not in any way be restricted by the Applicable Laws of any jurisdiction that purports to limit investments which may be made by trustees and as such the Trustee may make any investments without being required to adhere to any investment criteria or diversification requirements set out in the *Trustee Act* (Alberta). Furthermore, the Trustee is entitled to delegate management and authority to discretionary managers of investment funds in its sole discretion.

Fiduciary Duty

The Trustee and all officers of the Fund shall act honestly and in good faith with a view to the best interests of the Fund and the Unitholders and in connection therewith will exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Unless otherwise required by Applicable Laws, the Trustee and any officers of the Fund will not be required to give bond, surety or security in any jurisdiction for the performance of any duties or obligations under the Fund Agreement. The Trustee and officers of the Fund are not required to devote their entire time to the investments, business or affairs of the Fund.

Conflicts of Interest

The activities and facts described below shall not constitute a conflict of interest or breach of fiduciary duty to the Fund or the Unitholders. The Unitholders, pursuant to the Fund Agreement, consent to such activities and waive, relinquish and renounce any right to participate in, and any other claim whatsoever with respect to, any such activities. Furthermore, neither the Manager nor any other party referred to below will be required to account to the Fund or the Unitholders for any benefit or profit derived from such activities or from such similar or competing activity or any transactions relating thereto by reason of any conflict of interest or the fiduciary relationship created by virtue of the position of the Manager or any other party described below unless such activity is contrary to the Fund Agreement or any Applicable Laws.

- (a) The Kootenay Parties may be and shall be permitted to be engaged in and continue, either directly or indirectly, in oil and gas and other businesses in which the Fund may or may not have an interest and which may be competitive with the activities and investments of the Fund and, without limitation, any of the Kootenay Parties may be and are permitted to act as a partner, shareholder, director, joint venturer, advisor, manager or in any other capacity or role whatsoever of, with or to other entities.
- (b) Activities of the Fund may lead to the incidental result of providing additional information with respect to, or augmenting the value of, issuers, assets or properties in which the Kootenay Parties have, or in which they subsequently acquire, either a direct or indirect interest of any kind, including other investment funds managed by the Kootenay Parties (or by any of them) which may be engaged in all or some of the aspects of the business of the Fund and may be in competition with the Fund.
- (c) The Kootenay Parties do presently and will in the future have an interest in various other issuers, including other investment funds. Any of the Kootenay Parties may, from time to time, invest in or make loans to entities in which the Fund may also invest or to which it may loan funds. The Kootenay Parties may, in their sole and absolute discretion, permit any one or more of the Unitholders, other investment funds or any third party the opportunity to invest on a side-by-side basis with the Fund, or cause the Fund to invest on a side-by-side basis with any one or more of the Unitholders, other investment funds or any third party. The Fund will not have any priority with respect to the allocation of such investments or loans and the

Kootenay Parties (or any other fund(s) managed by any of them) may participate in such investments or loans in priority to the Fund.

- (d) The Kootenay Parties are, and will continue in the future to be, associated with other investment funds, which funds have, or may have in the future, similar investment objectives as the Fund. The Fund shall not have priority with respect to the allocation of investment opportunities or loans in or to other issuers and other investment funds may participate in such investment and loan opportunities in priority to the Fund.
- (e) The Kootenay Parties may represent, or may retain, engage or appoint any person as a member of the board of directors or other committee of any entity in which the Fund has an interest. In all cases where any of the Kootenay Parties are sitting on such boards or committees, any fees or other cash remuneration received as a result of any such services shall be paid to or retained by such person and shall not be required to be paid to the Fund. Any stock options granted by any company or other entity to any of the Kootenay Parties, as a director, officer or member of any committee of such company or other entity shall be retained by such Kootenay Party.
- (f) The Kootenay Parties may take actions to resolve a material conflict of interest without the approval of the Unitholders or the Trustee provided that each of the Kootenay Parties uses reasonable best efforts to resolve any such conflict of interest as equitably as possible under the prevailing facts and circumstances.

Limitations on Liability of Trustee, Manager and Officers

None of the Trustee, the Manager nor any officers of the Fund shall be liable to any Unitholder for any action taken or not taken in good faith in reliance on any documents that are, prima facie, properly executed; any depreciation of, or loss to, the Fund incurred by reason of the sale of any asset; the loss or disposition of monies or Securities; or any other action or failure to act including, without limitation, the failure to compel in any way any former Trustee or Manager to redress any breach of trust or any failure by any Person to perform the duties delegated to it, except for actions constituting gross negligence, fraud or wilful misconduct. If the Trustee has retained an appropriate expert, advisor or legal counsel with respect to any matter connected with their duties, the Trustee may act or refuse to act (and will not be liable for doing so) based on the advice of such expert, advisor or legal counsel.

None of the Trustee, the Manager nor the officers nor any agent of the Fund shall be subject to any liability whatsoever in tort, contract or otherwise, in connection with the Fund Assets or the affairs of the Fund, including in respect of any loss or diminution in value of any Fund Assets, to the Fund or to the Unitholders or to any other Person for anything done or permitted to be done by the Trustee or Manager. The Trustee and Manager shall not be subject to any liability for any debts, liabilities, obligations, claims, demands, judgments, costs, charges or expenses against or with respect to the Fund arising out of anything done or permitted or omitted to be done in respect of the execution of the duties of the office of Trustee or Manager for or in respect to the affairs of the Fund. No property or assets of the Trustee or Manager owned in their respective capacities or otherwise, will be subject to any levy, execution or other enforcement procedure. No recourse may be had or taken, directly or indirectly, against the Trustee or Manager in their respective capacities or any successor of the Trustee or Manager.

Liability and Indemnification

Each Trustee, former Trustee, the Manager, each officer of the Fund and each former officer of the Fund will be indemnified and reimbursed out of the Fund Assets in respect of any and all taxes (other than taxes on compensation), penalties or interest in respect of unpaid taxes or other governmental charges imposed upon the Trustee, former Trustee, Manager, officer or former officer in consequence of his or her performance of his or her duties under the Fund Agreement and in respect of any and all costs, charges and expenses, including amounts paid to settle an action or satisfy a judgment reasonably incurred in respect of any civil, criminal or administrative action or proceeding to which the Trustee, former Trustee, Manager, officer or former officer is made a party or against whom any such claim, action or proceeding is commenced or proposed by reason of being or having been a Trustee, Manager or officer of the Fund or, at the request of the Fund, a director or officer of any direct or indirect subsidiary of the Fund; provided that a Trustee, former Trustee, Manager, officer or former officer will not be indemnified out of the Fund Assets in respect of unpaid taxes or other governmental charges or in respect of such costs, charges and expenses that arise principally and directly out of his or her gross negligence, wilful misconduct or fraud. A

Trustee, former Trustee, officer or former officer shall not be entitled to satisfy any right of indemnity or reimbursement granted under the Fund Agreement, or otherwise existing under Applicable Law, except out of the Fund Assets, and no Unitholder or other Trustee, Manager or officer will be liable to any Person with respect to any claim for indemnity or reimbursement. The Trustee and any former Trustee is entitled to satisfy any right of indemnity or reimbursement under the Fund Agreement from the Manager.

Delegation of Trustee's Powers

The Trustee may delegate its authority, in its sole discretion, to effect the administration of its duties under the Fund Agreement. The Trustee has delegated to the Manager such powers as are set out in the Fund Agreement as being powers of the Trustee and may additionally grant broad discretion to administer and manage the day-to-day operations, to act as agent, to execute documents and to make executive decisions for and on behalf of the Fund, including, without limitation, regarding the valuation of the Fund's Assets, administrative and investment management matters. Along with the powers and duties of the Trustee being delegated to the Manager, the Manager will have the power, without limitation, to retain and instruct such appropriate experts or advisors to perform those duties and obligations granted or delegated to the Manager which it is not qualified to perform. The Trustee may, in its discretion, authorize the delegate to further sub-delegate any powers or authorities.

The Trustee will not be liable or responsible for any acts or omissions of the Manager or any administrator (or any sub-delegate thereof) arising hereunder or under any administration, management, or investment management agreement and the Trustee, in delegating to and relying upon an administrator, or any sub-delegate thereof shall be deemed to have complied with its obligations under the Fund Agreement.

Functions and Powers of the Trustee

Subject to delegation to the Manager under the Investment Management Agreement, the Trustee has the following powers and authorities in its sole discretion to carry out the investment purposes of the Fund as set out in the Fund Agreement:

- (a) to supervise the activities and manage the investments and affairs of the Fund;
- (b) to manage the Fund Assets;
- (c) to maintain records and provide reports to Unitholders;
- (d) to collect, sue for and receive all sums of money or other property due to the Fund;
- (e) to open, operate and close accounts and other similar credit, deposit and banking arrangements and to negotiate and sign banking and financing contracts and agreements;
- (f) to determine conclusively the allocation to capital, income or other appropriate accounts of all receipts, expenses and disbursements;
- (g) to determine conclusively the Class Net Asset Value of the Fund and the Class Net Asset Value per Unit from time to time and, in determining that value, to consider any information and advice as the Trustee in its sole judgment, may deem material and reliable;
- (h) to issue Units, convertible securities or other Securities of the Fund for such consideration and on such terms and conditions as the Trustee may deem appropriate in its sole discretion, each such issuance to be subject to the terms and conditions of this Fund Agreement;
- (i) to enter into any agreement or instrument to create or provide for the issue of Securities of the Fund (including any firm or best efforts underwriting agreement), to cause those Securities to be issued for any consideration that the Trustee, in its sole discretion, may deem appropriate and to do all things and prepare

and sign all documents to qualify those Securities for sale in whatever jurisdictions they will be sold or offered for sale;

- (j) to effect payment of distributions to the Unitholders as provided under the Fund Agreement but not contrary to any provisions of any loan or subordination agreement;
- (k) to invest any and all funds and monies of the Fund as provided for in the Fund Agreement;
- (l) to invest, hold shares, units, beneficial interests, partnership interests, joint venture interests or other interests or Securities in the Partnership or any other business necessary or useful to carry out the purposes of the Fund and to exercise all rights pertaining to such interests or Securities;
- (m) to possess and exercise all the rights, powers and privileges pertaining to the ownership of any Securities comprising the Fund Assets to the same extent that an individual might, unless otherwise limited herein, and, without limiting the generality of the foregoing, to vote or give any consent, request or notice, or waive any notice, either in person or by proxy or power of attorney, with or without power of substitution, to one or more Persons, which proxies and powers of attorney may be for meetings or actions generally or for any particular meeting or action and may include the exercise of discretionary power;
- (n) to sell, transfer, assign and convey, for and on behalf of the Fund, all or any portion of the Fund Assets on such terms and conditions as the Trustee shall deem to be in the best interests of the Unitholders;
- (o) to engage or employ on behalf of the Fund any Persons as agents, representatives, administrators, officers, employees or independent contractors (including, without limitation, investment advisers, registrars, underwriters, accountants, lawyers, appraisers, brokers or otherwise) in one or more capacities;
- (p) except as prohibited by Applicable Laws, to delegate any of the powers and duties of the Trustee to any one or more agents, representatives, officers, employees, administrators, independent contractors or other Persons without liability to the Trustee, except as provided in the Fund Agreement;
- (q) to engage in, intervene in, prosecute, join, defend, compromise, settle, abandon or adjust, by arbitration or otherwise, any actions, suits, disputes, claims, demands or other litigation or proceedings, regulatory or judicial, relating to the Fund, the Fund Assets or the Fund's affairs, to enter into agreements therefor, whether or not any suit or proceeding is commenced or claim asserted and, in advance of any controversy, to enter into agreements regarding the arbitration, adjudication or settlement thereof;
- (r) to arrange for insurance contracts and policies insuring the Fund, the Fund Assets, the business of any Person in which the Fund directly or indirectly holds an interest and/or any or all of the Trustee or the Unitholders, including against any and all claims and liabilities of any nature asserted by any Person arising by reason of any action alleged to have been taken or omitted by the Fund, the Trustee, the Unitholders, any of the Fund's subsidiaries or otherwise;
- (s) to cause legal title to any of the Fund Assets to be held by and/or in the name of one or more Trustees, or, except as prohibited by Applicable Laws, by and/or in the name of the Fund or any other custodian or Person, on such terms, in such manner, with such powers in such Person as the Trustee may determine and with or without disclosure that the Unitholders, the Fund or a Trustee is interested therein, provided however that should legal title to any of the Fund Assets be held by and/or in the name of any Person or Persons other than a Trustee or the Fund, the Trustee shall require such Person or Persons to execute a trust agreement acknowledging that legal title to such assets is held in trust for the benefit of the Unitholders;
- (t) without limit as to amount, to borrow money or otherwise obtain credit in the name of the Fund from time to time, from any Person for the purpose of carrying out the business or any other purposes of the Fund and for such purpose to draw, make, execute and issue loan agreements, promissory notes, debentures, convertible debentures, notes or similar debt securities and other negotiable and non-negotiable instruments and evidences of indebtedness (any or all of which may contain limitations or restrictions on payments,

transfers, distributions or dispositions), secure the payment of sums so borrowed or indebtedness incurred and mortgage, pledge, assign or grant a priority interest in any money owing to the Fund or engage in any other means of financing the Fund;

- (u) without limit as to amount, to lend funds to any Person including, without limitation, any Person in which the Fund, directly or indirectly, holds an interest, in such manner and for such purposes as have been and may be approved and determined to be in the best interests of the Unitholders by the Trustee;
- (v) to guarantee, indemnify or act as a surety with respect to the payment or performance of any indebtedness, liabilities or obligations of any kind of any Person including, without limitation, any Person in which the Fund, directly or indirectly, holds an interest, and, if required, to pledge the Securities of such Person as security for such guarantee or indemnity;
- (w) to enter into any subordination, postponement or priority agreement on behalf of the Fund with any lender or creditor to any Person, including, without limitation, any Person in which the Fund, directly or indirectly, holds an interest, pursuant to which, among other things, the Fund may agree to subordinate and postpone its debt, security or any right to receive any income from any Person;
- (x) to charge, mortgage, hypothecate, pledge or assign on behalf of the Fund, or grant any security interest, lien or encumbrance over or with respect to, all or any portion of the currently owned or subsequently acquired Fund's assets for any purpose, including to secure any monies borrowed or other liabilities or obligations of the Fund or to secure any guarantee granted by the Fund;
- (y) to subdivide or consolidate from time to time the issued and outstanding Units;
- (z) to use their reasonable commercial efforts to ensure that the Fund qualifies at all times as a "mutual fund trust" within the meaning of section 132 of the Tax Act and does not, at any time, constitute a "SIFT trust" within the meaning of section 122.1 of the Tax Act;
- (aa) in addition to the mandatory indemnification provided for in the Fund Agreement, to the extent permitted by Applicable Laws, to indemnify, or enter into agreements with respect to the indemnification of, any Person with whom the Fund has dealings including, without limitation, the Trustee or the transfer agent or any escrow agent, to such extent as the Trustee determines;
- (bb) to pay all taxes or assessments, of whatever kind or nature, whether within or outside Canada, imposed upon or against the Trustee in connection with the Fund Assets, the undertaking of the Fund or the income of the Fund, or imposed upon or against the Fund Assets, the undertaking of the Fund or the income of the Fund, or any part thereof, and to settle or compromise disputed tax liabilities and for the foregoing purposes to make such returns, take such deductions, and make such designations, elections and determinations in respect of the income of the Fund or Net Realized Capital Gains distributed to Unitholders in the year and any other matter as shall be permitted under the Tax Act (provided that to the extent necessary the Trustee will seek the advice of the Fund's counsel or the Auditor), and do all such other acts and things as may be deemed by the Trustee, in its sole discretion, to be necessary, desirable or convenient;
- (cc) to adopt a Unitholders' rights plan for the Fund if the Trustee determine in good faith that such action is appropriate. Each such Unitholder rights plan so adopted shall terminate on the date which is six months from the date of such adoption unless such adoption is ratified and confirmed by the Unitholders in accordance with this Fund Agreement;
- (dd) to make, execute, acknowledge and deliver any and all deeds, contracts, waivers, releases or other documents of transfer and any and all other instruments in writing necessary (including tax elections or designations) or proper for the accomplishment of any of the powers granted to the Trustee under the terms of this Fund Agreement; and

- (ee) to do all such other acts and things as are incidental to the foregoing, and to exercise all powers which are necessary or useful to carry on the purposes and activities of the Fund, to promote any of the purposes for which the Fund is formed and to carry out the provisions of this Fund Agreement.

Restrictions on Trustee's Powers

The Trustee has no power or authority to vote the Partnership Interests or any other Securities held by the Fund to authorize any amalgamation, arrangement or other merger of any subsidiary of the Fund with any other Person, except with one or more direct or indirect wholly-owned subsidiaries or affiliates of the Fund or in conjunction with an internal reorganization with an affiliate or subsidiary of the Fund or the Partnership without the approval of the Unitholders by Special Resolution at a meeting of Unitholders called for that purpose or adopted in writing.

Fees and Expenses

As part of the expenses of the Fund, the Trustee may pay or cause to be paid reasonable fees, costs, charges and expenses incurred in connection with the administration and management of the Fund, including (without limitation) fees, costs, charges and expenses of auditors, accountants, lawyers, securities dealers, appraisers and other agents, consultants and professional advisers employed by or on behalf of the Fund and the cost of reporting or giving notices to Unitholders. All fees, costs, charges and expenses properly incurred by the Trustee on behalf of the Fund will be for the account of the Partnership and shall be reimbursable to the Fund by the General Partner. Reimbursable expenses include, but are not limited to:

- (a) brokerage fees and other banking fees relating to the Fund;
- (b) any taxes payable by the Fund or to which the Fund may be subject, including, without limitation, security transfer taxes;
- (c) interest expenses;
- (d) any performance measurement fees payable by the Fund;
- (e) costs related to sending information to Unitholders including financial reports;
- (f) costs of any administrative services provided to the Fund including bookkeeping, accounting, valuations, and the provision of information to Unitholders;
- (g) fees payable to the securities regulatory authorities in respect of the Fund including filing fees and other applicable fees;
- (h) fees payable to a registrar and transfer agent of the Fund;
- (i) costs of other personnel providing services to the Fund;
- (j) audit and legal fees;
- (k) insurance expenses;
- (l) litigation damages, settlements and expenses;
- (m) costs of preparing, printing, and distributing any disclosure documents and materials for Unitholders meetings, including forwarding these documents to Unitholders;
- (n) expenses of conducting Unitholder meetings;
- (o) expenses incurred upon termination of the Fund;

- (p) fees and expenses of the trustee, custodian, or any sub-custodian;
- (q) fees and expenses of or associated with any person retained by the Fund to provide services to the Fund; and
- (r) any extraordinary or non-recurring expenses of the Fund.

The foregoing expenses are to be allocated by the Trustee to each class of Units of the Fund as determined by the Trustee, in its sole discretion (generally based on respective Class Net Asset Values).

Power of Attorney

The Fund Agreement includes an irrevocable power of attorney authorizing the Trustee on behalf of the Unitholders, among other things, to execute the Fund Agreement, any amendments to the Fund Agreement, any instrument necessary to continue and keep in good standing the Fund as a mutual fund trust, all conveyances and other documents necessary to reflect the dissolution or liquidation of the Fund, all instruments necessary in connection with conveyances, transfers, sale or disposition of any Units, as well as any elections, determinations or designations under the Tax Act or taxation legislation of any province or territory of Canada or of any other jurisdiction with respect to the affairs of the Fund or a Unitholder's interest in the Fund. See Section 13.8 "Power of Attorney" in the Fund Agreement.

Audit, Accounting and Reporting to Unitholders

The fiscal year end of the Fund will be December 31. The Fund will disclose on a monthly basis to Unitholders, in respect of the assets of the Partnership, its asset classes (by industry sub-sector allocations), five largest positions by security weights, number of long and short holding and gross/net, long and short exposures and volatility of the portfolio and risk/reward analysis on the portfolio of the Partnership. Audited financial statements will be prepared and forwarded to Unitholders who request same within ninety (90) days of each Fiscal Year End. Unaudited financial statements will be prepared and forwarded to Unitholders who request same on a semi-annual basis.

Termination of the Fund

It is intended that the Fund will continue for an indefinite term. The Trustee may, in its discretion, terminate the Fund at any time, following which the Trustee shall commence winding-up the affairs of the Fund as soon as is reasonably practicable and give 60 days' written notice thereof to the Unitholders, which notice shall designate the time or times at which Unitholders may surrender their Units for cancellation and the date at which the registers of Units shall be closed.

Following notice to the Unitholders, the Trustee will proceed to sell and convert into money all Fund Assets in one transaction or in a series of transactions at public or private sales and do all other acts appropriate to liquidate the Fund. If the Trustee is unable to sell all or any of the Securities or other assets which comprise part of the Fund Assets by the date set for termination, the Trustee may distribute the remaining Securities or other assets directly to the Unitholders in accordance with their *pro rata* share, subject to Applicable Laws and receipt of any necessary approvals. Any income of the Fund or Net Realized Capital Gains arising from the sale of such Securities shall be allocated, paid or made payable in accordance with the provisions of the Fund Agreement. After paying, retiring or discharging all known liabilities and obligations of the Fund and providing for indemnity against any other outstanding liabilities and obligations, the Trustee will distribute the remaining part of the proceeds of the sale of the Securities and other assets together with any cash forming part of the Fund Assets among the Unitholders in accordance with their *pro rata* share of such class of Units and the Fund will terminate.

Meetings

Meetings of the Unitholders shall be held, as and when determined by the Manager, on behalf of the Trustee, in its discretion, or otherwise as required by Applicable Laws. Meetings of the Unitholders may be called at any time by the Manager upon a written request of Unitholders holding in the aggregate not less than 25% of all votes entitled to

be voted at any meetings of the Unitholders, such request to be sent to the Trustee, c/o the Manager, at the head office of the Fund specifying in reasonable detail the purpose or purposes for which such meeting is to be called. If the Trustee does not, within 30 days after receiving the requisition, call a meeting, any Unitholder who signed the requisition may call the meeting in accordance with the provisions of the Fund Agreement. If there is no Trustee, the officers of the Fund will promptly call a meeting of the Unitholders for the election of successor Trustee, failing which any interested Person (including a Unitholder) may apply to a court of competent jurisdiction to appoint replacement Trustee.

Resolutions Binding the Trustee

Unitholders are entitled to pass resolutions that will bind the Trustee or the Fund only with respect to appointing or removing one or more Trustee, authorizing restrictions on the Trustee's powers, consenting to amendments to the Fund Agreement, appointing an inspector to investigate the performance of the Trustee, appointing or removing auditors, and any other matters required by Applicable Laws to be submitted to Unitholders for their approval.

Voting Rights of Unitholders

Only Unitholders of record on the applicable record date are entitled to vote. With respect to a question submitted to a meeting, other than a Special Resolution, every Person entitled to vote shall be entitled to one vote. At any meeting of the Unitholders, each Unit shall be entitled to one vote. The Trustee will be entitled to one vote in its capacity as Trustee and the Chair will not have a casting vote. Unitholders may vote by proxy and a proxyholder need not be a Unitholder provided such proxy was received by the Trustee prior to the meeting. For Units jointly held by several Persons, a proxy must be executed by all of them and may only be revoked by all of them. A proxy will be valid notwithstanding the subsequent death, incapacity, insolvency, bankruptcy or dissolution of the Unitholder giving the proxy or the revocation of the proxy, provided that no written notice of such death, incapacity, insolvency, bankruptcy, dissolution or revocation has been received by the Trustee at the place of the meeting prior to the time fixed for the holding of the meeting. A Unitholder that is not an individual may appoint an officer, director, partner, trustee or other authorized individual who is 18 years of age or older as its representative to attend, vote and act on its behalf at meetings of the Unitholders, and may by a like instrument revoke any such appointment, and for all purposes of meetings of Unitholders, other than the giving of notice, an individual so appointed will be deemed to be the holder of every Unit held by the corporation it represents.

Amendments to the Fund Agreement

The provisions of the Fund Agreement may be amended at any time by the Trustee with the consent of the Manager. However, the provisions of the Fund Agreement may not be amended by the Trustee without the consent of the Unitholders if such amendments would have the effect of altering: (i) the determination of Class Net Asset Value the Fund pursuant to the provisions of the Fund Agreement; (ii) redemptions granted thereunder; (iii) the right to amend the Fund Agreement; or (iv) the right of, or manner in which, a Unitholder may call, or vote at, any meeting of Unitholders. In order to obtain Unitholder consent, the Trustee must obtain approval of not less than a majority of votes cast at a meeting of Unitholders or that class of Units duly called for the purpose of considering the proposed change (or, by written resolution). The Trustee will give at least 60 days' written notice of the proposed change and each Unitholder shall be given the opportunity to redeem its Units prior to the effective date of the amendment. No such amendment will be adopted which causes the Fund to fail to qualify as a "unit trust" or "mutual fund trust" under the Tax Act without the consent of the Unitholders. In addition, no consent shall be required in order to amend the Fund Agreement to reflect the addition or redesignation of any new classes of Units or new classes of units of the Partnership, any changes in management or other fees relating to such Partnership Interests also made by the Partnership or similar additions or amendments in relation thereto.

Investment Management Agreement

The following is a summary of the Investment Management Agreement. It is in summary form only and is subject to the complete terms and conditions of the Investment Management Agreement. **This summary is not intended to be complete and each investor should carefully review the Investment Management Agreement itself for full details of these provisions.**

General

In order to set out the duties of the Manager, the Fund has entered into an Investment Management Agreement with the Manager, the Trustee, the General Partner and the Partnership dated as of May 9, 2012. Pursuant to the Investment Management Agreement, the Manager will direct certain of the business, operations and affairs of the Fund and provide certain day-to-day management services to the Fund, including management of the Fund's portfolio on a discretionary basis and distribution of the Units of the Fund, and such other services as may be required from time to time. The Manager may delegate certain of these duties from time to time with the consent of the Trustee.

Management Fees

The Manager receives fees for similar services it provides to the Partnership pursuant to an amended and restated investment counsel and management services agreement dated May 9, 2011, as amended, entered into among the Manager, the Partnership and the General Partner, pursuant to which the Manager is paid a monthly management fee of the aggregate of : (i) $\frac{1}{12}$ of 2% of the Net Asset Value of the Class A Partnership Interests; (ii) $\frac{1}{12}$ of 1% of the Net Asset Value of the Class F Partnership Interests; and (iii) $\frac{1}{12}$ of such percentage of the Net Asset Value of the Class I Partnership Interests as may be negotiated with holders of such Class I Partnership Interests at the time of the original acquisition of such Class I Partnership Interests, calculated and payable on each Valuation Date in arrears. No change may be made to how the Management Fee is calculated and paid if such change could result in the Partnership paying higher fees unless Limited Partners are given at least 60 days notice of such change. Therefore the Manager will not be entitled to collect management fees under the Investment Management Agreement. The Partnership will, however reimburse the Manager for all reasonable fees and expenses incurred by it on behalf of the Fund. The Manager will be responsible for all of its own day-to-day operating and administrative expenses. If the Fund is terminated, it is intended that such fees and expenses owed to the Manager, together with any applicable amount of federal or provincial goods and services tax or harmonized sales tax in respect thereof, shall be promptly reimbursed by the General Partner and will be deducted as an expense of the Fund.

Indemnification

The Fund has agreed to indemnify the Indemnittees from and against all claims, losses, costs, damages and expenses they may suffer or be liable for resulting from or relating to the Manager fulfilling its role as manager and acting in any representative capacity on behalf of the Fund or the Trustee, provided that such claims, losses, damages or expenses have not resulted due to the Manager's fraud, wilful misconduct or gross negligence. The aggregate liabilities of the Manager's Indemnittees is limited to the aggregate amount of fees paid to the Manager under the Investment Management Agreement up to a date either determined by a court of competent jurisdiction or as agreed upon by the Manager and the claimant.

Termination of the Investment Management Agreement

The Investment Management Agreement may be terminated by either the Trustee or the Manager on 30 days' notice to the other, or immediately in the event of the dissolution or insolvency or bankruptcy of the other party or the termination of the Fund Agreement.

Client Services Agreement

The Partnership appointed CIBC World Markets Inc. as Prime Broker in respect of the Partnership's portfolio transactions. The Prime Broker provides prime brokerage services to the Partnership under the terms of a Prime Broker Agreement, entered into between the Partnership and the Prime Broker dated as of April 19, 2011. These services include the provision to the Partnership of trade execution, settlement, reporting, securities financing, stock borrowing, stock lending, foreign exchange and banking facilities, and are provided solely at the discretion of the Prime Broker. The Partnership may also utilize other brokers and dealers for the purposes of executing transactions for the Partnership. The Prime Broker does not provide a traditional custody service for investments of the Partnership held on the books of the Prime Broker, but rather assumes possession of the assets and all right, title and interest in the assets is transferred to the Prime Broker as part of its prime brokerage function in accordance with the

terms of the Prime Broker Agreement. Assets not required as margin on borrowings are required to be segregated (from the Prime Broker's own assets) under the rules of the Investment Industry Regulatory Organization of Canada, which regulates the Prime Broker, but the Partnership's assets may be commingled with the assets of other clients of the Prime Broker. Furthermore, the Partnership's cash and free credit balances on account with the Prime Broker are not segregated and may be used by the Prime Broker in the ordinary conduct of its business, and the Partnership is an unsecured creditor in respect of those assets. The Partnership may request delivery of any assets not required by the Prime Broker for margin or borrowing purposes.

The Partnership has agreed to indemnify the Prime Broker for losses it may incur in acting in any capacity under the Prime Broker Agreement unless such losses have been determined to have resulted directly from the wilful default or gross negligence of the Prime Broker. Neither the Prime Broker nor any brokers appointed has or will have investment discretion in relation to the Partnership and no responsibilities shall be taken by any of the brokers for any of the assets of the Partnership held by other brokers.

The Prime Brokerage Agreement may be effectively terminated by either party on 14 business days notice to the other party (subject to the restriction on the ability of the Partnership to receive delivery of assets held by the Prime Broker as security against any margin or other borrowings).

DIRECTORS AND MANAGEMENT

Compensation and Securities Held

The following table sets out information about each of the director and officers of the Manager:

Name and Municipality of Principal Residence	Positions held with the Manager and date of obtaining appointment	Compensation paid by the Fund or related party in most recently completed financial year and anticipated to be paid in the current financial year	Number, type and % of securities of the Fund held after completion of the Offering
Christopher Theal, CFA, CIM Calgary, Alberta	President, CEO & Chief Investment Officer, Director November 15, 2010	Nil ⁽¹⁾	17,540 Class A Units ⁽²⁾ (5.03%)
Leon Knight, CFA Calgary, Alberta	Managing Director & Chief Operating Officer April 11, 2011	Nil ⁽¹⁾	2,680 Class A Units ⁽²⁾ (0.77%)

Notes:

- (1) Compensation for Messrs. Theal and Knight is paid by the Manager from the Management Fee and is not a direct expense of the Fund.
- (2) Mr. Theal and Mr. Knight hold 20,220 Class A Units of the Fund. Additionally, Mr. Theal and Mr. Knight each hold 10 and 50 Class A Units, respectively, of the Partnership.

The following table sets out information about each of the director and officers of the General Partner:

Name and Municipality of Principal Residence	Positions held with the General Partner and date of obtaining appointment	Compensation paid by the Partnership or related party in most recently completed financial year and anticipated to be paid in the current financial year	Number, type and % of securities of the Fund held after completion of the Offering
Christopher Theal, CFA, CIM Calgary, Alberta	President, CEO & Chief Investment Officer, Director November 15, 2010	Nil ⁽¹⁾	17,540 Class A Units ⁽²⁾ (5.03%)
Leon Knight, CFA Calgary, Alberta	Managing Director & Chief Operating Officer April 11, 2011	Nil ⁽¹⁾	2,680 Class A Units ⁽²⁾ (0.77%)

Notes:

- (1) Compensation for Messrs. Theal and Knight is paid by the Manager from the Management Fee and is not a direct expense of the Partnership.
- (2) Mr. Theal and Mr. Knight hold 20,220 Class A Units of the Fund. Additionally, Mr. Theal and Mr. Knight each hold 10 and 50 Class A Units, respectively, of the Partnership.

Management Experience

The following table discloses the principal occupations of the director and officers of the Manager and the General Partner over the past five years:

Name	Principal occupations and related experience
Christopher Theal	<p>Mr. Theal is the founder, President and CEO of Kootenay. Mr. Theal has managed the Kootenay Global Energy Absolute Return Fund for the past three years. Prior to founding Kootenay, Mr. Theal was an oil and gas analyst for thirteen years, most recently as Global Coordinator, Oil and Gas Research at Macquarie Securities. Mr. Theal was Head of Research and a member of the Executive Committee at Tristone Capital, a global energy investment boutique, prior to Macquarie acquiring Tristone in 2009. Mr. Theal was repeatedly a top-ten ranked oil and gas analyst in the annual Brendan Woods Survey, most recently ranking #6 in the Canadian large cap Exploration and Production sector and ranked #2 in the 2009 Top Guns survey for sector knowledge and idea generation. Prior thereto, Mr. Theal was an oil and gas analyst at CIBC World Markets.</p> <p>Mr. Theal is a Chartered Financial Analyst and holds the Canadian Investment Manager designation. He has an MBA in Finance, from the University of British Columbia, an undergraduate degree in economics, with distinction, from Royal Roads Military College and received the Sword of Honour as the top all-round graduate in the class of 1992. He was an officer in the Canadian Navy and was awarded the United Nations Peacekeeping Services medal for UN service abroad. Mr. Theal is active in the community with Royal Military College alumni activities, fundraising and volunteer efforts, including mentorship</p>

Name	Principal occupations and related experience
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with the University of Lethbridge team in the 2011 CFA Global Stock Challenge.

Mr. Theal is a recognized leader in the energy investment industry, including establishing market leading opinions on natural gas, LNG, unconventional resource play evaluation and valuation. This skill set is the foundation for organizing and running a fundamental long / short fund.

Leon Knight

Mr. Knight is the Chief Operating Officer of Kootenay and has co-managed the Kootenay Global Energy Absolute Return Fund for the past three years. Prior to joining Kootenay, Mr. Knight was a business analyst for a Calgary based senior independent oil and gas producer and was engaged in strategy, planning, and business development activities for the company's international operations. Prior thereto, Mr. Knight worked alongside Mr. Theal as a member of the research team at Macquarie Securities and Tristone Capital for six years until 2010, most recently as a Senior Research Analyst. From 2008 through 2010, Mr. Knight was a publishing analyst and was recognized as the #5 top stock picker overall in Canada for 2009 by the Globe and Mail/StarMine Analyst Awards. As part of his role with the research team, Mr. Knight was also responsible for conducting macro analysis of natural gas fundamentals, including North America and global LNG trends.

Mr. Knight is a Chartered Financial Analyst and holds a Bachelor of Commerce with a major in Finance from the University of Calgary. During his undergraduate studies, Mr. Knight was selected to participate in the Calgary Portfolio Management Trust program where he was a Fund Manager and contributed towards overseeing an equity portfolio of Canadian listed stocks.

Penalties, Sanctions and Bankruptcies

Other than as described below, no penalty or sanction has been in effect during the last 10 years, nor has any cease trade order been in effect for a period of more than 30 consecutive days during the past 10 years against any of the directors, executive officers or control persons of the Fund, or any other issuer with which they have acted as director, executive officer or control person.

In 2009, Mr. Theal concluded a Settlement Agreement and Undertaking with the Alberta Securities Commission wherein Mr. Theal acknowledged that he acted contrary to the public interest by informing another person, while in a special relationship with a reporting issuer, of a material fact before it had been generally disclosed. Mr. Theal did not personally benefit, nor did he intend to benefit from the disclosure, which involved an inadvertent release outside the confines of the dealer with whom Mr. Theal was employed, of an interpretation of material information provided by the reporting issuer which was included in a spreadsheet model and incorporated with public information from additional reporting issuers. Mr. Theal concluded a financial settlement totaling \$40,000 regarding the matter. The agreement did not affect his status as a registered individual. In 2011, the CFA Institute concluded an independent review of the same facts and circumstances as above, and after carefully reviewing the matter, determined to conclude its review without action.

No declaration of declared bankruptcy, voluntary assignment in bankruptcy, proposal under any bankruptcy or insolvency legislation, proceedings, arrangement or compromise with creditors or appointment of a receiver, receiver manager or trustee to hold assets, that has been in effect during the last 10 years with regard to any director, executive officer or control person of the Partnership, or any other issuer which they have acted as director, executive officer or control person.

CAPITAL STRUCTURE

Share Capital

The following table sets out the capital structure of the Fund:

Description of security	Number authorized to be issued	Price per security (\$)	Number outstanding as at April 1, 2014	Number outstanding after minimum offering	Number outstanding after maximum offering
Class A Units	Unlimited	11.6634 ⁽¹⁾	292,236	292,236	N/A
Class F Units	Unlimited	11.7181 ⁽²⁾	56,277	56,277	N/A
Class I Units	Unlimited	N/A ⁽³⁾	Nil	Nil	N/A

Notes:

- (1) Initial issuances were made at \$10.00 per Unit, with subsequent issuances made at Net Asset Value.
- (2) Initial issuances were made at \$10.00 per Unit, with subsequent issuances made at Net Asset Value.
- (3) Initial issuances will be made at \$10.00 per Unit, with subsequent issuances made at Net Asset Value.

Prior Sales

The following table sets out the prior sales of securities of the Fund carried out in the last 12 months:

Date of Issuance	Type of Security Issued	Number of Securities Issued	Average Price per Security	Total Funds Received
April 2013 – March 2014	Class A Units	59,990	\$10.4261	\$625,468
April 2013 – March 2014	Class F Units	31,518	\$9.7671	\$307,855

SECURITIES OFFERED

Terms of Securities

The capital of the Fund consists of three classes of Units: namely Class A Units, Class F Units and Class I Units. The material terms, rights and obligations attaching to the Units are set out above under the heading "Business of the Fund – Fund Agreement". Potential investors are encouraged to review the Fund Agreement for a full description of the Units and the rights and limitations applicable to Unitholders.

Subscription Procedure

The Units are being offered using the mutual fund order entry system FundSERV. Subscription for Units may be made directly through the Manager or from a distributor on the FundSERV network under the Manufacturer Code to Kootenay Capital Management Corp. "KCM" and the order code:

Class A Units "KCM100"

Class F Units "KCM101"

Funds in respect of any subscription will be payable by investors at the time of the subscription. Subscriptions for Units made from a distributor on the FundSERV network must be accompanied by a fully executed Subscription Agreement, together with all applicable schedules thereto, completed by the broker/distributor on behalf of the beneficial Unitholder.

Subscriptions for Units must be made by completing and executing the Subscription Agreement provided by the Manager, together with all applicable schedules thereto and by forwarding the Subscription Agreement to the Manager. Payment of the subscription price is to be made in accordance with the instructions in the Subscription Agreement and may be made by FundSERV, certified cheque, bank draft or wire transfer (or other form of funds transfer acceptable to the Manager). Subscription funds provided prior to a Subscription Date will be kept in a segregated account. Subscription proceeds received will be held in trust for a two day period following execution of the relevant Subscription Agreement. Subscriptions for Units are subject to acceptance or rejection in whole or in part by the Manager in its sole discretion. In the event a subscription for Units is rejected, any subscription funds forwarded by the subscriber will be returned without interest or deduction. Purchasers should forward completed Subscription Agreements directly to the Manager.

The Fund Agreement includes an irrevocable power of attorney authorizing the Trustee on behalf of the holder of the Unit to execute the Fund Agreement, and any amendments thereto, and all other instruments necessary to reflect the formation of, amendment to or dissolution of the Fund or the registration of the Fund in any jurisdiction as well as any elections, determinations or designations under the Tax Act or other taxation legislation or laws of like import with respect to the affairs of the Fund or a Unitholder's interest in the fund.

A book-based system of registration is maintained for the Fund. Unit certificates will not be issued. The register for the Units is kept at the office of the Fund Administrator.

Closings may occur at the discretion of the Manager on the Subscription Date, subject to applicable law, provided a duly completed Subscription Agreement is delivered to the Manager and subscription proceeds are delivered in accordance with the payment instructions set out in the Subscription Agreement at least two business days prior to the relevant Subscription Date. Units will be issued for a purchase price equal to the Class Net Asset Value per Unit as at the close of business on such Subscription Date. An opening Class Net Asset Value per Class I Unit has been set at \$10.

The Offering is restricted to Persons who have the capacity and competence to enter into and be bound by the Fund Agreement.

Minimum Individual Subscriptions

The minimum initial investment is \$25,000 but may be reduced to such lesser amounts as may be accepted by the Manager in its sole discretion.

Each additional investment must be in an amount that is not less than \$5,000 other than subscribers who are investing in reliance on the exemption in section 2.10 of NI 45-106 (minimum amount), which subscribers must invest \$150,000 in any additional investment.

These minimums are net of any front end commissions paid by an investor to his or her agent.

Prospectus Exemptions

The Units are being offered in the Offering Jurisdictions pursuant to exemptions under applicable securities legislation. Such exemptions relieve the Fund from provisions under such statutes requiring the Fund to file a prospectus and therefore subscribers do not receive the benefits associated with a subscription for securities issued pursuant to a filed prospectus, including the review of material by a securities commission or similar authority.

The sale of Units pursuant to this Offering Memorandum is being made: (i) in all provinces of Canada other than Ontario and Quebec pursuant to: (A) section 2.3 of NI 45-106 (accredited investor); (B) section 2.10 of NI 45-106 (minimum amount); and (C) section 2.9 of NI 45-106 (offering memorandum); and (ii) in Ontario and Quebec pursuant to: (A) section 2.3 of NI 45-106 (accredited investor); and (B) section 2.10 of NI 45-106 (minimum amount).

Each subscriber is urged to consult with its own legal advisor as to the details of the statutory exemption being relied upon and the consequences of purchasing securities pursuant to such exemption.

Know-Your-Client and Suitability

Whether the subscriber for Units is purchasing through its own dealer or directly from the Manager (in its capacity as an exempt market dealer), the dealer through whom the Units are purchased has an obligation under applicable securities laws to determine suitability of the investment for such purchaser, unless the purchaser is a "permitted client" and either waives such requirement or the dealer is otherwise exempt from such requirement. Subscribers purchasing directly from the Manager will be required to provide certain information in the Subscription Agreement (referred to as know-your-client information), on which the Manager will rely in determining such suitability.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS AND CONSEQUENCES

You should consult your own professional advisors to obtain advice on the tax consequences that apply to you.

General

In the opinion of Counsel to the Fund, the following summary fairly describes the principal Canadian federal income tax considerations under the Tax Act generally applicable to a Unitholder who acquires Units pursuant to this Offering and who, for purposes of the Tax Act, is resident in Canada, deals at arm's length with, and is not affiliated with, the Fund and holds the Units as capital property. Generally, Units will be capital property to a Unitholder provided the Unitholder does not hold the Units in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure in the nature of trade.

Units are intended to be held primarily by tax exempt investors.

This summary is not applicable to a Unitholder: (i) that is a "financial institution" for purposes of the mark-to-market rules; (ii) that is a "specified financial institution"; (iii) an interest in which is a "tax shelter investment"; (iv) which has elected to compute its income in accordance with the "functional currency" reporting rules, all within the meaning of the Tax Act; or (v) that has entered into a derivative forward agreement with respect to the Units, within the meaning of proposed amendments to the Tax Act pursuant to the 2013 Federal Budget. Such Unitholders should contact their own tax advisors having regard to their own particular circumstances.

This summary is based on the provisions of the Tax Act in force as of the date hereof, Proposed Amendments, existing case law and Counsel's understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency. Counsel can provide no assurance that the Proposed Amendments will be enacted in the form proposed, or at all. This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to the Offering and, except for the Proposed Amendments, does not take into account or anticipate any changes in the law, whether by legislative, governmental or judicial action or changes in the administrative policies or assessing practices of the Canada Revenue Agency. This summary does not take into account provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein.

This summary is of a general nature only and is not intended to be relied on as legal or tax advice or representations to any particular Unitholder. Consequently, prospective Unitholders are urged to seek independent tax advice regarding the consequences to them of investing in the Units, in their own particular circumstances.

Status of the Fund

Counsel has been advised that the Fund has elected to be a "mutual fund trust" from the beginning of its first taxation year. This summary assumes that the Fund will qualify as a "mutual fund trust" for purposes of the Tax Act from the beginning of its first taxation year and will thereafter continuously qualify as a mutual fund trust at all

relevant times. To qualify as a mutual fund trust, the sole undertaking of the Fund must be the investing of its funds in property (other than certain real property or interests in real property), the Fund must comply on a continuous basis with certain requirements relating to the qualification of the Units for distribution to the public, the number of Unitholders and the dispersal of ownership of Units and the Fund must not be reasonably considered to have been established or maintained primarily for the benefit of non-residents of Canada. The Fund has advised its Counsel that it is reasonable to expect that these requirements will be satisfied.

If the Fund were to not qualify as a mutual fund trust at any particular time, the income tax considerations for the Fund and the Unitholders would be materially different from those contained herein.

This summary assumes that "investments", within the meaning of the Tax Act, in the Fund are not, and will not be, listed or traded on a stock exchange or other public market. If investments in the Fund are listed or traded on a stock exchange or other public market the Fund may be taxable as a "SIFT trust" under the Tax Act and the Canadian federal tax considerations will be materially different from those described herein.

Taxation of the Fund

The Fund is subject to tax on its income for each taxation year, including net realized taxable capital gains, dividends, accrued interest and other income paid or payable to it, less the portion thereof that is paid or payable in the year to Unitholders and which is deducted by the Fund in computing its income for purposes of the Tax Act. An amount will be considered to be payable to a Unitholder in a taxation year if it is paid in the year by the Fund or the Unitholder is entitled in that year to enforce payment of the amount. The taxation year of the Fund will end on December 31 of each year.

The Fund generally intends to deduct, in computing its income, the full amount available for deduction in each year to the extent of its taxable income for the year otherwise determined and to make payable to Unitholders an amount equal for its remaining taxable income. Counsel has been advised by the Fund that it is expected that the Fund will not be liable for any material amount of tax under the Tax Act; however, Counsel can provide no assurance in this regard.

Taxation of Unitholders

Fund Distributions

A Unitholder will generally be required to include in computing income for a particular taxation year of the Unitholder the portion of the net income of the Fund for a taxation year, including taxable dividends and net realized taxable capital gains, that is paid or payable to the Unitholder in that particular taxation year, whether that amount is paid in cash, additional Units, Fund Assets or otherwise. Income of a Unitholder from the Units will generally be considered to be income from property for purposes of the Tax Act. Any loss of the Fund cannot be allocated to and treated as a loss of a Unitholder.

Provided that appropriate designations are made by the Fund, the portion of its taxable capital gains and taxable dividends received from taxable Canadian corporations that are paid or payable to a Unitholder will retain their character as taxable capital gains and taxable dividends to the Unitholder for purposes of the Tax Act. Such dividends, when designated to a Unitholder that is an individual, will be subject to the gross-up and dividend tax credit provisions normally applicable to taxable dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit rules for eligible dividends. Income of the Fund that is designated as taxable dividends from taxable Canadian corporations or as net realized capital gains may increase an individual Unitholder's liability for alternative minimum tax.

The non-taxable portion of net realized capital gains of the Fund that is paid or payable to a Unitholder in a taxation year will not be included in computing the Unitholder's income for the year and will not reduce the adjusted cost base of the Unitholder's Units. Any other amount in excess of the net income of the Fund that is paid or payable by the Fund to a Unitholder in a year will generally not be included in the Unitholder's income for the year. However, where any such other amount is paid or payable to a Unitholder, other than as proceeds of disposition of Units, the

adjusted cost base of the Units held by such Unitholder will be reduced by such amount. To the extent that the adjusted cost base to a Unitholder of a Unit is less than zero at any time in a taxation year, such negative amount will be deemed to be a capital gain of the Unitholder from the disposition of the Unit in that year. The amount of such capital gain will be added to the adjusted cost base of such Unit.

The adjusted cost base of a Unit to a Unitholder will include all amounts paid or payable by the Unitholder for the Unit, with certain adjustments. Units issued to a Unitholder as a non-cash distribution of income will have a cost amount equal to the amount of such income. A Unitholder will generally be required to average the cost of all newly-acquired Units with the adjusted cost base of Units held by the Unitholder as capital property in order to determine the adjusted cost base of the Unitholder's Units at any particular time.

Disposition of Units

On the disposition or deemed disposition of Units, a Unitholder will generally realize a capital gain (or a capital loss) equal to the amount by which the Unitholder's proceeds of disposition are greater (or less) than the aggregate of the Unitholder's adjusted cost base of the Units and any reasonable costs incurred by the Unitholder in connection with the disposition. The taxation of capital gains or capital losses is described below under "*Capital Gains and Capital Losses*".

Redemption of Units

The redemption of Units in consideration for cash, Fund Assets or promissory notes, as the case may be, will be a disposition of such Units for proceeds equal to the amount of such cash or the fair market value of such Fund Assets or promissory notes, less any portion thereof that is considered to be a distribution of the income of the Fund. Redeeming Unitholders will consequently realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition (less any portion thereof that is considered a distribution of the Fund's income) is greater (or less) than the Unitholder's aggregate adjusted cost base of the Units so redeemed and any reasonable costs of disposition.

Capital Gains and Capital Losses

Generally, one-half of any capital gain realized or deemed to be realized by a Unitholder in a taxation year will be included in the Unitholder's income for the year as a taxable capital gain. Subject to specific rules in the Tax Act, one-half of any capital loss realized or deemed to be realized by a Unitholder in a taxation year is an allowable capital loss which must be deducted from any taxable capital gain realized by the holder in the year of disposition. Allowable capital losses for a taxation year in excess of taxable capital gains for that year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years to the extent and under the circumstances provided for in the Tax Act. A Unitholder that is, throughout the relevant taxation year, a "Canadian-controlled private corporation" as defined in the Tax Act, may be liable to pay an additional refundable tax of 6 $\frac{2}{3}$ % on certain investment income, including taxable capital gains. Capital gains realized by a Unitholder who is an individual (other than certain trusts) may give rise to a liability for alternative minimum tax.

Eligibility for Investment by Deferred Plans

Provided the Fund qualifies as a mutual fund trust within the meaning of the Tax Act, prior to the 91st day after the end of the Fund's first taxation year and assuming the Fund elects under the Tax Act to be a mutual fund trust from its inception, the Units, when issued, will be a qualified investment under the Tax Act for a Deferred Plan, subject to the specific provisions of any such plan. Counsel has been advised that the Fund has elected to be a "mutual fund trust" from the beginning of its first taxation year.

The Units will generally not be a prohibited investment for a trust governed by a tax-free savings account, registered retirement savings plan or registered retirement income fund if the holder, annuitant or beneficiary deals at arm's length with the Fund for the purposes of the Tax Act and the holder does not have a "significant interest" (within the meaning of the Tax Act) in the Fund, or a corporation, partnership or trust with which the Fund does not deal at

arm's length for the purposes of the Tax Act. Pursuant to proposed amendments released on December 21, 2012, the Units will generally not be a prohibited investment provided the holder, annuitant or beneficiary deals at arm's length with the Fund for purposes of the Tax Act and does not have a significant interest in the Fund. Unitholders should consult their own tax advisors as to whether the Units will be a prohibited investment in their particular circumstances.

Fund Assets or any Securities received as a result of a distribution or redemption of Units may not be a qualified investment for Deferred Plans, which may give rise to adverse consequences to a Deferred Plan or the annuitant, holder or beneficiary thereunder.

COMPENSATION PAID TO SELLERS AND FINDERS

Purchases of Units may be made directly through the Manager. There is no commission payable by an investor to the Trustee or the Manager in respect of Units purchased directly by an investor.

If an investor purchases Class A Units through a registered dealer, the registered dealer, at its discretion, may charge purchasers a front-end sales commission of up to 5% of the Net Asset Value of the Class A Units purchased by the subscriber. Any such sales commission will be negotiated between the registered dealer and the purchaser and will be payable directly by the purchaser to their dealer.

The Manager expects to pay quarterly service fees to registered dealers whose clients have purchased Class A Units based on the number of days in the relevant quarter that the client remains invested in the Fund. The service rate the Manager expects to pay to registered dealers is 1.00% per annum of the average daily value of the Class A Units held by investors sold through such registered dealers. This service fee is expected to be payable on all Units, and will be in addition to any front-end sales commission that may be charged on the Class A Units.

The above described service fees will be paid by the Manager and be reimbursed by the Partnership directly.

The Fund has not retained an underwriter or agent in respect of the sale and distribution of the Units. However, the Fund (or Trustee and/or Manager on its behalf) reserves the right to retain agents to, and/or pay Persons who, effect sales of the Units, in which case, subject to applicable securities legislation, such agents and Persons may receive a negotiated fee of a percentage of the gross proceeds realized from the Units sold directly by such agents and Persons which will be paid by the Manager but reimbursed by the Partnership. The Manager and officers and directors of the Manager may be involved directly in the selling of the Units but will not receive any fees for affecting such sales.

Performance-Based Servicing Fees

The Manager may pay an amount equal to a portion of the Performance Fee to dealers with client assets invested in Class A, Class F and Class I Units of the Fund. Dealers may be paid an amount equal to 20% of the Manager's Performance Fee attributable to their clients' investment in Class A, Class F and Class I Units of the Fund.

The purpose of the performance-based servicing fee of the Fund is to ensure that the Manager, the dealer, its representatives and investors all have a common interest in the Fund performing well. The Manager at its discretion may calculate and pay performance-based servicing fees of the Fund at the end of each calendar quarter. The Manager may modify, discontinue, or otherwise differentiate this fee among dealers at any time and from time to time.

RISK FACTORS

Before investing, prospective investors should carefully consider the following risks. The risk of loss in investing in the Fund can be substantial. An investment in the Fund may be deemed speculative and is not intended as a complete investment program. A subscription for Units should be considered only by persons financially able to maintain their investment and who can bear the risk of loss associated with an investment in the Fund. Investors should review closely the investment objective and investment strategies to be utilized

by the Fund as outlined herein to familiarize themselves with the risks associated with an investment in the Fund.

Risks Associated with an Investment in the Fund

Restrictions on redemption and transfer; Illiquidity of Units

It is intended that the Fund will continue for an indefinite term. As a result, a Unitholder's principal source of liquidity for its Units will be through its right of redemption. Unitholders should be aware that redemption rights in their favour are subject to significant limitations and restrictions. For example, the Trustee may suspend the redemption right days if the Trustee determines that conditions exist which render impractical the sale of the Fund Assets or which impair the ability of the Trustee to accurately determine the Class Net Asset Value, amongst other events.

There will be no public market for the Units and an application for listing of the Units on a stock exchange will not be made. Units in the Fund are highly illiquid investments and should only be acquired by investors able to bear the economic risk of an investment in the Units for an indefinite period of time. The Units are being sold on a "private placement" basis in reliance upon exemptions from prospectus and registration requirements of applicable securities laws and therefore are subject to significant statutory restrictions on transfer or sale. The Units will be subject to "hold periods" under applicable securities legislation and, as the Fund is currently not a "reporting issuer" in any province or territory, the "hold periods" may never expire. Additionally, Unitholders will not be permitted to transfer or sell their Units without the consent of the Trustee, which may be withheld in the Trustee's sole discretion, and the satisfaction of certain other conditions, including the provision of an opinion of counsel that such a transfer would not subject the Fund or the Unitholders to any regulatory or tax burdens or result in violation of any applicable law or governmental regulation. See "Resale Restrictions".

Distribution of income

The Fund intends to distribute its income and gains each year by distributing Units, rather than by making cash distributions. Accordingly, Unitholders must rely solely on the redemption of their Units to obtain a cash return on their investment in Units.

Nature of Units

Each Unit represents an equal undivided beneficial interest in a particular class of Units of the Fund. The Units do not represent debt instruments and there is no principal amount owing to Unitholders under the Units. The Units do not represent shares in the Trustee, the Manager or its affiliates or any other company.

Units are intended to be held by tax exempt investors

The Units are intended to be held by tax exempt investors. Taxable investors may be subject to adverse tax consequences as a result of holding Units. Accordingly, an investment in Units may not be an appropriate investment for a taxable investor. The Fund intends to make all taxable income of the Fund payable to Unitholders each year and to distribute such income by distributing additional Units, rather than by distributing cash. Accordingly, Unitholders will be allocated income by the Fund each year and will not receive cash distributions with respect to such income. In addition, income allocated by the Fund to Unitholders may exceed the amount payable to them on a redemption of their Units.

Mutual fund trust status

To qualify as a mutual fund trust, the sole undertaking of the Fund must be the investing of its funds in property (other than certain real property or interests in real property), the Fund must comply on a continuous basis with certain requirements relating to maintaining a diversity of investments, the qualification of the Units for distribution to the public, the number of Unitholders and the dispersal of ownership of Units and the Fund must not be reasonably considered to have been established or maintained primarily for the benefit of non-residents of Canada. If

the Fund fails or ceases to qualify as a "mutual fund trust", there may be adverse tax consequences to the Fund and Unitholders.

Eligibility of Units for investment by deferred plans

If the fund fails or ceases to qualify as a "mutual fund trust" the Units may not be or may cease to be qualified investments for Deferred Plans which will have adverse tax consequences to Deferred Plans and their annuitants, holders or beneficiaries. If the Units are or become a prohibited investment for trusts governed by tax-free savings accounts, adverse tax consequences may result to the holder of the tax-free savings account.

Fund Assets or Securities received as a result of a distribution or redemption of Units may not be a qualified investment for Deferred Plans, which may give rise to adverse consequences to a Deferred Plan or the annuitant, holder or beneficiary thereunder.

Tax treatment of Units and Unitholders

Canadian federal or provincial income tax legislation may be amended, or their interpretation changed, so as to alter fundamentally the tax consequences of holding or disposing of Units or the investments held by the Fund. The alternative minimum tax could limit tax benefits available to Unitholders.

There is no assurance that income tax laws or administrative practices of tax officials in the various jurisdictions of Canada will not be changed in a manner which will adversely alter the tax treatment of Unitholders.

Tax characterization of Fund Income and Fund Capital Gains

The designation of income or gains realized by the Fund to Unitholders, including the designation of gains realized on the disposition of investments as capital gains will depend largely on factual considerations. Management will endeavor to make appropriate characterizations of income or gains realized by the Fund for purposes of designating such income or gains to Unitholders based on information reasonably available to it. However, there is no certainty that the manner in which the Fund characterizes such income or gains will be accepted by the Canada Revenue Agency. If it is subsequently determined that the Fund's characterization of a particular amount was incorrect, Unitholders might suffer material adverse tax consequences as a result.

SIFT status

If investments in the Fund are listed or traded on a stock exchange or other public market, the Fund may be taxable as a "SIFT trust" under the Tax Act, which will have adverse tax consequences to the Unitholders and the Fund and the Canadian federal income tax considerations of investing in the Fund will be materially different from those described herein.

Risks associated with the Fund

Nature of investment

An investment in the Fund requires a long-term commitment, with no certainty of return. Investments made by the Fund in Partnership Interests may not generate current income. Therefore, the return of capital and the realization of gains, if any, from an investment generally will occur upon the partial or complete realization or disposition of such investment. While an investment may be realized or disposed of at any time, it is generally expected that the ultimate realization or disposition of most of the Fund's investments will not occur for a number of years after such investments are made and in any event, is dependent upon the disposition by the Partnership of its interests. The Fund expects to invest primarily in Units of the Partnership that are illiquid and subject to resale restrictions. These investments are subject to various risks, particularly the risk that the Fund will be unable to realize its investment objectives by sale or other disposition at attractive prices or otherwise be unable to complete any exit strategy. See below under the heading "Risks Associated with the Underlying Investments of the Partnership". In some cases, the Fund may be prohibited or limited by contract from selling certain securities for a period of time, and as a result,

may not be permitted to dispose of an investment at a time it might otherwise desire to do so. Furthermore, the types of investments made may require a substantial length of time to liquidate. There can be no assurance that a public market will develop for any of the Fund's investments or that the Fund will otherwise be able to realize such investments.

No assurance of investment return

The success of the Fund will depend on the Manager to identify, select, close, grow and exit appropriate investments for the Partnership, which will in turn affect the investment return of the Fund's Units. The task of identifying investment opportunities, monitoring such investments and realizing a significant return for Unitholders is difficult. Many organizations operated by individuals of competence and integrity have been unable to make, manage and realize on such investments successfully. There is no assurance that the Manager will be able to generate returns for Unitholders of the Partnership or the Fund or that returns will be at levels currently anticipated by the Manager. The expenses of the Fund may exceed its investment returns, and the Unitholders could lose the entire amount of their contributed capital.

Performance of the portfolio

The Class Net Asset Value per Unit of each class will vary as the value of the Partnership Interests varies. The Fund has no control over the factors that affect the value of the Partnership Interests, including factors that affect the debt and equity markets generally such as general economic and political conditions and fluctuations in interest rates, and factors unique to each issuer included in the portfolio, such as commodity prices or the performance of emerging market economies generally. The Fund's holdings in Partnership Interests may be insufficient to give it control or influence over changes in management, changes in strategic direction, achievement of strategic goals, mergers, acquisitions and divestitures, changes in distribution policies and other events that may affect the value of its securities.

Valuation of the Fund's investments

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

The Fund may have some of its assets in investments, including private companies, which by their very nature may be extremely difficult to value accurately. To the extent that the value assigned by the Manager to any such investment differs from the actual value, the Class Net Asset Value may be understated or overstated, as the case may be. The Manager does not intend to adjust the Class Net Asset Value retroactively.

Lack of operating history

The past investment performance of management should not be construed as a guarantee or expectation of future results of any investment in the Fund. There can be no assurance that investments to be made by the Fund will be profitable. On any given investment, total loss of the investment is possible.

Termination of the Fund

Although the Fund is expected to continue for an indefinite term, circumstances may change such that the Trustee may terminate and dissolve the Fund by delivering to each Unitholder written notice of its intention to terminate at least 60 days prior to the date on which the Fund is to be terminated, following which the Trustee will commence winding-up of the Fund. If the termination occurs earlier than the term of the Fund, the Fund may not have been in existence for the period of time necessary to achieve the investment objectives of the Fund.

Investments in early stage companies

The primary strategy of the Fund is to invest in Units of the Partnership. However, the Fund may also invest in other opportunities, including investing in companies at an early stage. Early stage companies may be more volatile due to their limited operating and financial history, relative lack of financial resources or their susceptibility to major setbacks or downturns.

Liquidity of investments

In certain circumstances, such as where securities of private issuers are involved where the right to redeem Partnership Interests is suspended or the disruption of the orderly markets for equity securities, currencies, commodities, derivatives and/or financial instruments in which the Fund invests, the Fund may not be able to dispose of certain holdings quickly or at prices that represent true market value.

Reliance on the Manager

All decisions with respect to the Fund Assets and the operations of the Fund are expected to be made exclusively by the Manager on behalf of the Trustee pursuant to the Investment Management Agreement. Unitholders will have no right to make any decisions with respect to the management, disposition or other realization of any investment, or other decisions regarding the Fund's business and affairs. No prospective investor should purchase a Unit in the Fund unless such prospective investor is willing to entrust all aspects of the management of the Fund to the Manager and/or the Trustee. Certain personnel of the Manager and its respective affiliates may work on other projects and, therefore, conflicts may arise in the allocation of management resources.

Dependence on investment professionals

The success of the Fund will depend in large part upon the skill and expertise of the investment professionals and other personnel employed by the Manager. There can be no assurance that such personnel will remain with the Manager. The loss of one or more of these individuals could have a significant adverse impact on the business of the Fund.

Reliance on management

As Manager for both the Partnership and the Fund, the Manager will be responsible for monitoring the Partnership's investments. However, it will be primarily the responsibility of the management of each portfolio entity in which the Partnership invests to operate such entity on a day-to-day basis. Although it is the intent of the Partnership to invest in entities with capable teams that have a proven track record, there can be no assurance that an entity's management team will be able to operate the entity successfully.

Leverage of the Fund

The Fund may borrow or incur indebtedness for any purpose, including for the purposes of acquiring Partnership Interests, distributing Fund Income or Fund Capital Gains or redeeming Units. The requirement to repay principal and pay the associated debt service costs could impair the Fund's ability to make distributions to Unitholders, particularly if the value of Partnership Interests decline and/or the Fund is unable to liquidate some or all of the Partnership Interests to refinance any such borrowings. If the Fund is unable to generate sufficient cash flow to meet principal and interest payments on its indebtedness, the ability of the Fund to make distributions would be impaired and the value of the Units could be significantly reduced or even eliminated.

In addition, if the borrowings are used to acquire Partnership Interests, the interest expense and banking fees incurred in respect of any such loans may exceed the incremental capital gains and tax benefits generated by the incremental investment in Partnership Interests. There can be no assurance that the borrowing strategy employed by the Fund will enhance returns.

Concentration Risk

The Fund intends to invest almost exclusively, if not entirely, in Partnership Interests and therefore the success the Fund's investments will be directly attributable to the performance of investments made by the Partnership.

Risks relating to redemption

If holders of a substantial number of Units exercise their redemption rights, the number of Units outstanding and the Class Net Asset Value could be significantly reduced. In any such circumstance, the Trustee may at any time terminate the Fund without the approval of the Unitholders if, in the opinion of the Trustee, it is no longer economically feasible to continue the Fund or the Trustee determines that it would be in the best interests of Unitholders to terminate the Fund.

Lack of independent counsel representing Unitholders

The Fund, the Trustee and the Manager have consulted with and retained for their benefit legal counsel to advise them in connection with the formation and terms of the Fund and the offering of Units. Unitholders have not, however, as a group been represented by independent legal counsel. Therefore, to the extent that the Unitholders could benefit by further independent review, such benefit will not be available unless individual Unitholders retain their own legal counsel.

Liability for return of distributions

Generally, the Unitholders do not have personal liability for the obligations of the Fund. However, under applicable law, Unitholders could be required to return distributions previously made by the Fund if it is determined that such distributions were wrongfully made or in certain other circumstances under the terms of the Fund Agreement. Where a Unitholder has received the return of all or part of the amount contributed to the Fund, the Unitholder is nevertheless liable to the Fund or, where the Fund is terminated, to its creditors for any amount, not in excess of the amount returned with interest, necessary to discharge the liabilities of the Fund to all creditors who extended credit or whose claims otherwise arose before the return of the contribution. Additionally, Unitholders may have to return all or a portion of distributions made to them to the extent the Fund has an obligation to withhold any amounts from such distribution for tax purposes.

Recourse to the Fund's assets

The Fund's assets, including any investments made by the Fund and any capital held by the Fund, are available to satisfy all liabilities and other obligations of the Fund. If the Fund itself becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to the Fund's assets generally and not be limited to any particular asset, such as the investment giving rise to the liability.

Indemnification

The Trustee, each former Trustee, the Manager and each officer of the Fund and each former officer of the Fund is entitled to indemnification and reimbursement out of the Fund Assets, except under certain circumstances, from the Fund. Such indemnification obligations could decrease the returns which would otherwise be available to the Unitholders of the Fund.

Conflicts of interest

There may be occasions when the Kootenay Parties encounter conflicts of interest in connection with the Fund's activities, including where the Manager is providing advisory (or other business) services to or has another business relationship with a Partnership Portfolio Entity. There may be conflicts in allocating investment opportunities among the Fund, the Partnership and any other fund of the Kootenay Parties. As well, conflicts may arise with respect to decisions affecting a Partnership Portfolio Entity's capital structure, including workout decisions. In a

bankruptcy proceeding, it is possible that the Fund's interests may be subordinated or otherwise adversely affected by virtue of the involvement or actions of such other participants.

The Fund Agreement permits the Trustee and Manager (and other Kootenay Parties) to take actions to resolve a material conflict of interest without the approval of the Unitholders provided that each of the Kootenay Parties use reasonable best efforts to resolve any such conflict of interest as equitably as possible under the prevailing facts and circumstances. There is no independent committee or other Persons representing the Unitholders in situations involving conflicts of interests between the Kootenay Parties, the Fund, the Partnership and/or the Unitholders. Accordingly, the Unitholders are relying on the ability, honesty and integrity of the Manager to resolve any such material conflicts of interests, which resolutions might have been different had the interests of Unitholders been represented by independent Persons in such circumstances.

Lack of regulatory oversight

The Fund is not subject to any regulatory oversight in Canada.

Registration

The Fund is not required to, and does not intend to register as a dealer or adviser under securities legislation of the jurisdictions in which it operates or in which Unitholders reside. All managers of public and private investment funds are required by securities legislation to be registered regardless of whether they are also involved in the business of dealing or advising in securities.

The performance of the Fund's investment portfolio could be materially adversely affected, and risks involved in financing investments could substantially increase, if the Trustee and/or the Fund becomes subject to additional registration requirements, due to the various burdens of compliance therewith and certain legal prohibitions imposed on registrants.

Lack of Performance Disclosures

This Offering Memorandum does not include performance data relating to the Manager. Investors will not have the benefit of this information when deciding whether or not to purchase Units.

Unaudited Financial Statements

At the time of a redemption by a Unitholder, an interim closing will occur on the basis of unaudited financial statements. Because there may be a greater risk of error when unaudited financial statements are used, individual Unitholders may be adversely affected by errors, if any, in such unaudited financial statements.

Risks associated with the Partnership

The following risks relate to the Partnership and its investments in the Partnership Portfolio Entities. For a more thorough discussion of the Partnership, see "Business of the Fund – Development of Business" and "Business of the Fund – Material Agreements – The Limited Partnership Agreement. **A copy of the Offering Memorandum of the Partnership may also be requested from the Manager.**

Broker or Dealer Insolvency

The Partnership does not control the custodianship of all of its securities. The banks or brokerage firms selected to act as custodians may become insolvent, causing the Partnership to lose all or a portion of the funds or securities held by those custodians. Consequently, the Partnership and therefore, its limited partners, may suffer losses.

The Partnership's assets may be held in one or more accounts maintained for the Partnership by its prime brokers or at other brokers. Such brokers are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their

application to the Partnership's assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a prime broker or any sub-custodians, agents or affiliates, it is impossible to generalize about the effect of their insolvency on the Partnership and its assets. Investors should assume that the insolvency of any of the prime brokers or such other service providers would result in the loss of all or a substantial portion of the Partnership's assets held by or through such prime broker and/or the delay in the payment of withdrawal proceeds.

Trading Errors

In the course of carrying out trading and investing responsibilities on behalf of the Partnership, employees of the Manager may make "trading errors" — i.e., errors in executing specific trading instructions. Examples of trading errors include: (i) buying or selling an investment asset at a price or quantity that is inconsistent with the specific trading instructions generated by a particular strategy; or (ii) buying rather than selling a particular investment asset (and vice versa). Trading errors are an intrinsic factor in any complex investment process, and will occur notwithstanding the exercise of due care and special procedures designed to prevent trading errors. Trading errors are, therefore, distinguishable from errors in judgment, due diligence or other factors leading to a specific trading instruction being generated, as well as from unauthorized trading or other improper conduct by employees of the Manager. Consequently, the Manager will (unless the Manager otherwise determines) treat all trading errors (including those which result in losses and those which result in gains) as for the account of the Partnership, unless they are the result of conduct by the Manager which is inconsistent with the Manager's standard of care.

Changes in Trading Approach

The Manager may alter its trading approach, without prior approval by, or notice to, a limited partner if the General Partner and the Manager determine that such change is in the best interest of the Partnership.

Liquidity of Investment

An investment in the Partnership provides limited liquidity. There is no market for the Units and their resale, transfer and redemption are subject to restrictions imposed by the Limited Partnership Agreement, including consent by the General Partner, and applicable securities legislation. Consequently, holders of Units may not be able to liquidate their investment in a timely manner and the Units may not be readily accepted as collateral for a loan. In certain circumstances, the General Partner may suspend redemption rights.

Tax Liability

Net Asset Value of the Partnership and Net Asset Value per Unit of the Partnership will be marked to market and therefore calculated on the basis of both realized trading gains and losses and accrued, unrealized gains and losses. In computing each limited partner's share of income or loss for tax purposes, only realized gains and other factors, including the date of purchase or redemption of Units by a limited partner in a fiscal year, will be taken into account. Therefore, the change in Net Asset Value of a limited partner's Units may differ from his share of income and loss for tax purposes. Furthermore, investors may be allocated income for tax purposes and not receive any cash distributions from the Partnership.

Possible Loss of Limited Liability

Under the Partnership Act, the General Partner has unlimited liability for the debts, liabilities, obligations and losses of the Partnership to the extent that they exceed the assets of the Partnership. The liability of each limited partner for the debts, liabilities, obligations and losses of the Partnership is limited to the value of money or other property the limited partner has contributed or agreed to contribute to the Partnership. In accordance with the Partnership Act, if a limited partner has received a return of all or part of the limited partner's contribution to the Partnership, the limited partner is nevertheless liable to the Partnership, or where the Partnership is dissolved, to its creditors, for any amounts not in excess of the amount returned with interest, necessary to discharge the liabilities of the Partnership to all creditors who extended credit or whose claims arose before the return of the contribution. **The limitation of**

liability of a limited partner may be lost if a limited partner takes part in the control of the business of the Partnership.

Funding Deficiencies

Other than with respect to the possible loss of the limited liability as outlined above, no limited partner shall be obligated to pay any additional assessment on the Units held or subscribed. However, if, as a result of a distribution by the Partnership, the Partnership's capital is reduced and the Partnership is unable to pay its debts as they become due, the limited partners may have to return to the Partnership any such distributions received by them to restore the capital of the Partnership. If the Partnership does not have sufficient funds to meet its requirements and must default because the deficiency is not funded, limited partners may lose their entire investment in the Partnership.

Not a Public Mutual Fund

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

Valuation of the Partnership's Investments

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

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

Potential Indemnification Obligations

Under certain circumstances, the Partnership might be subject to significant indemnification obligations in favour of the General Partner, the Manager, other service providers to the Partnership or certain Persons related to them in accordance with the respective agreement between the Partnership and each such service provider. The Partnership will not carry any insurance to cover such potential obligations and, to the General Partner's knowledge, none of the foregoing parties will be insured for losses for which the Partnership has agreed to indemnify them. Any indemnification paid by the Partnership would reduce the Partnership's Net Asset Value.

Possible Effect of Redemptions

Substantial redemptions of Units could require the Partnership to liquidate positions more rapidly than otherwise desirable to raise the necessary cash to fund redemptions and achieve a market position appropriately reflecting a

smaller asset base. Such factors could adversely affect the value of the Units redeemed and of the Units remaining outstanding.

Charges to the Partnership

The Partnership is obligated to pay administration fees, brokerage commissions and legal, accounting, filing and other expenses regardless of whether the Partnership realizes profits.

Lack of Independent Experts Representing Limited Partners

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

Unaudited Financial Statements

At the time of a redemption by a Limited Partner, an interim closing will occur on the basis of unaudited financial statements. Because there may be a greater risk of error when unaudited financial statements are used, individual Limited Partner may be adversely affected by errors, if any, in such unaudited financial statements.

No Involvement of Unaffiliated Selling Agent

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

Possible Negative Impact of Regulation of Hedge Funds

The regulatory environment for hedge funds is evolving and changes to it may adversely affect the Partnership. To the extent that regulators adopt practices of regulatory oversight in the area of hedge funds that create additional compliance, transaction, disclosure or other costs for hedge funds, returns of the Partnership may be negatively affected. In addition, the regulatory or tax environment for derivative and related instruments is evolving and may be subject to modification by government or judicial action that may adversely affect the value of the investments held by the Partnership. The effect of any future regulatory or tax change on the portfolio of the Partnership is impossible to predict.

The General Partner Distribution may create an incentive for the Manager to cause the Partnership to make investments that are riskier or more speculative than would be the case in the absence of a distribution based on the performance of the Partnership. To align interests with the Limited Partners and mitigate risk of speculative activity, the management of the Manager has invested \$300,000 directly and indirectly in Units of the Partnership.

Risks Associated with the Underlying Investments of the Partnership

Investments in the energy industry

Investments in the energy industry may be subject to a variety of risks, not all of which can presently be foreseen or quantified. Examples of such risks may include, but are not limited to: (i) the risk that technology employed in an energy project will not be effective or efficient; (ii) uncertainty about the availability or efficacy of energy sales agreements or fuel supply agreements that may be entered into in connection with a project; (iii) risks that regulations affecting the energy industry will change in a manner detrimental to the industry; (iv) environmental liability risks related to energy properties and projects; (v) risks of equipment failures, fuel interruptions, loss of sale and supply contracts or fuel contracts, decreases or escalations in power contract or fuel contract prices, bankruptcy

of key customers or suppliers, tort liabilities in excess of insurance coverage, inability to obtain desirable amounts of insurance at economic rates, acts of God and other catastrophes; (vi) uncertainty about the extent, quality and availability of oil and gas reserves; (vii) risks that interest rate increases may make financing more difficult to obtain, or impair the cash flow of projects which are leveraged; and (viii) political, social and economic uncertainties affecting energy producing regions and countries. The occurrence of events related to the foregoing could have a material adverse effect on the Partnership and its investments.

Volatility of energy commodity prices

The success of the Partnership will be dependent on the success of its underlying portfolio investments, many of which will be dependent, either directly or indirectly, on the prevailing prices of oil, natural gas, coal, biofuel and electricity. Fluctuations in energy commodity prices could have a material adverse effect on the operations of any one or more of the Partnership's portfolio investments and their respective financial conditions. Energy commodity prices fluctuate in response to changes in supply and demand market uncertainty and a variety of additional factors beyond the Partnership's control. As a result, energy commodity prices have fluctuated widely in recent years. Any substantial or extended decline in energy commodity prices could result in a delay or cancellation of existing or future drilling, development or construction programs or curtailment in production within the Canadian, U.S. or international marketplace, all of which could have a material adverse effect on the Partnership's investments.

Nature of oil and gas exploration and development activity

Oil and gas exploration and development activity involves a high degree of risk. The risk is more significant with the smaller oil and gas companies in which the Partnership intends to partly invest than it is for larger, more diversified energy companies. Other technical and operating risk factors to be considered related to resource exploration and development activity include the drilling success rate, the accuracy of reserve estimates, production volume forecasts, operating expense projections, and the cost of oil field services.

Operating hazards and other uncertainties

Oil and natural gas exploration and operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. These risks include encountering unexpected formations or pressures, premature declines of reservoirs, blow-outs, equipment failures and other accidents in completing wells and otherwise, cratering, sour gas releases, uncontrollable flows of oil, natural gas or well fluids, adverse weather conditions, pollution, fires, spills and other environmental risks. In addition, in making such investments, the Partnership must rely on estimates of hydrocarbon reserves. The process of estimating hydrocarbon reserves is complex, requiring significant decisions and assumptions in the evaluation of available geological, geophysical, engineering and economic data for each reservoir. As a result, such estimates are inherently imprecise. The long-term success of any one or more of the Partnership's portfolio investments may depend on such investment's ability to find, acquire, develop and/or commercially produce hydrocarbon gas reserves.

Foreign investment risks

The Partnership may invest in companies that have all or a portion of their assets outside of North America. Such investments are subject to additional risks. The value of non-North American investments made by the Partnership could be materially impacted by inflation, currency devaluation, interest rate changes, exchange rate fluctuations, changes in government policies, more volatile and less liquid capital markets, different infrastructure and business environments, natural disasters, armed conflicts, political or social instability and other developments affecting such countries.

Concentration of investments in limited sectors

The Partnership's investments will be concentrated in the energy sector. Concentration of the Partnership's investments in a single sector or its related subsectors may involve greater exposure to certain risks than the exposure generally associated with more diversified investment Partnerships, and may result in greater fluctuations in returns. Instability, volatility, or significant unforeseen events in the energy sector or related subsectors may not

be readily balanced or offset by investments in other industries or markets not so affected. The assets, earnings and values of companies involved in the energy and resource industries are subject to risks associated with the world prices of various natural resources, forces of nature, economic cycles, commodity prices, exchange rates and political events and, as a result, the value of companies in this sector may be subject to significant fluctuations.

Competition in the energy industry

The energy industry is highly competitive in all aspects, including the exploration for, and the development of, new sources of supply, the construction and operation of crude oil and natural gas pipelines and facilities, the acquisition of oil and natural gas interests and the transportation and marketing of crude oil, natural gas, natural gas liquids, coal and electricity. The Partnership's portfolio investments will compete amongst many participants in the energy industry, many of whom will have greater financial and other resources.

Drilling risks

The revenues, operating results and future rates of growth of certain companies in which the Partnership may invest may be dependent upon the success of their drilling programs. Oil and natural gas drilling involves numerous risks, including the risk that no commercially productive oil or natural gas reservoirs will be encountered. The timing and cost of drilling, completing and operating wells is often uncertain, and drilling operations may be curtailed, delayed or cancelled as a result of a variety of factors, including unexpected drilling conditions, pressure or irregularities in formations, equipment failures or accidents, adverse weather conditions, compliance with governmental requirements and shortages or delays in the availability of drilling rigs and the delivery of equipment. Oil and natural gas drilling remains a speculative activity notwithstanding the use of 3-D seismic data. Even when fully utilized and properly interpreted, 3-D seismic data and other advanced technologies only assist geoscientists in identifying subsurface structures and do not enable the interpreter to know whether hydrocarbons are in fact present in such structures. In addition, the use of 3-D seismic data and other advanced technologies requires greater pre-drilling expenditures than traditional drilling strategies and companies could incur losses as a result of such expenditures. Furthermore, completion of a well does not assure a profit on the investment or a recovery of any portion of drilling, completion or operating costs. Varying drilling success rates could have a material adverse effect on the value of the Partnership.

Shortages of drilling rigs, equipment, supplies and personnel

In the past, there have been periods where general shortages of drilling rigs, equipment and supplies have occurred. Shortages of drilling rigs, equipment or supplies could delay and adversely affect the exploration and development operations of certain companies in which the Partnership invests and could have a material adverse effect on their business, financial condition and results of operations. The demand for, and wage rates of, qualified rig crews in the drilling industry tend to fluctuate in response to the number of active drilling rigs in service. The number of qualified rig crews available in the drilling industry has recently risen, but shortages of qualified rig crews have in the past occurred in the industry during times of increasing demand for drilling services. The oil and natural gas industry may in the future experience variances in the availability of qualified personnel to operate drilling rigs which could affect certain companies' drilling operations and, in turn, affect their business, financial condition and results of operations. Such variances could have a material adverse effect on the value of the Partnership.

Investment and Trading Risks in General

All trades made by the Manager risk the loss of capital. The Manager may utilize trading techniques or instruments, which can, in certain circumstances, maximize the adverse impact to which the Partnership may be subject. No guarantee or representation is made that the Partnership's investment program will be successful, and investment results may vary substantially over time. Many unforeseeable events, including actions by various government agencies, and domestic and international economic and political developments may cause sharp market fluctuations which could adversely affect the Partnership's portfolio and performance.

General Economic and Market Conditions

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

Fixed Income Securities

The Partnership may invest in bonds or other fixed income securities of U.S., Canadian and other issuers, including, without limitation, bonds, notes and debentures issued by corporations. Fixed income securities pay fixed, variable or floating rates of interest. The value of fixed income securities in which the Partnership invests will change in response to fluctuations in interest rates. In addition, the value of certain fixed-income securities can fluctuate in response to perceptions of credit worthiness, political stability or soundness of economic policies. Fixed income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk). If fixed income investments are not held to maturity, the Partnership may suffer a loss at the time of sale of such securities.

Equity Securities

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

Liquidity of Underlying Investments

Some of the securities in which the Partnership intends to invest may be thinly traded. There are restrictions on the investment of Partnership assets in illiquid securities. It is possible that the Partnership may not be able to sell or repurchase significant portions of such positions without facing substantially adverse prices. If the Partnership is required to, transact in such securities before its intended investment horizon, the performance of the Partnership could suffer.

Availability of Investment Strategies

The identification and exploitation of the investment strategies pursued by the Partnership involves a high degree of uncertainty. No assurance can be given that the Manager will be able to locate suitable investment opportunities in which to deploy all of the Partnership's capital.

Portfolio Turnover

The Partnership has not placed any limits on the rate of portfolio turnover and portfolio securities may be sold without regard to the time they have been held when, in the opinion of the Manager, investment considerations warrant such action. A high rate of portfolio turnover involves correspondingly greater expenses than a lower rate.

Highly Volatile Markets

The prices of financial instruments in which the Partnership's assets may be invested can be highly volatile and may be influenced by, among other things, specific corporate developments, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and

international political and economic events and policies. The Partnership also is subject to the risk of the failure of any of the exchanges on which the Partnership's positions trade or of their clearinghouses.

Speculative Purchases of Securities

The Partnership may make speculative purchases of securities that the Manager believes to be undervalued or that may be the subject of acquisition attempts, exchange offers, cash tender offers or corporate reorganizations. There can be no assurances that securities which the Manager believes to be undervalued are in fact undervalued, or that undervalued securities will increase in value. Further, in such cases, a substantial period of time may elapse between the Partnership's purchase of the securities and the acquisition attempt or reorganization. During this period, a portion of the Partnership's funds would be committed to the securities purchased and the Partnership may finance such purchase with borrowed funds on which it would have to pay interest.

Derivative Hedge Risks

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

Leverage

The Partnership may use financial leverage by borrowing funds against the assets of the Partnership. Leverage increases both the possibilities for profit and the risk of loss for the Partnership. From time to time, the credit markets are subject to periods in which there is a severe contraction of both liquidity and available leverage. The combination of these two factors can result in leveraged strategies being required to sell positions typically at highly disadvantageous prices in order to meet margin requirements, contributing to a general decline in a wide range of different securities. Illiquidity can be particularly damaging to leveraged strategies because of the essentially discretionary ability of dealers to raise margin requirements, requiring leveraged strategy to attempt to sell positions to comply with such requirements at a time when there are effectively no buyers in the market at all or at any but highly distressed prices. These market conditions have in the past resulted in major losses to a substantial number of private investment funds. Such conditions, although unpredictable, can be expected to recur.

Shorting

Shorting involves borrowing a security from an existing holder and selling the security in the market with a promise to return it at a later date. Should the security increase in value during the shorting period, losses will incur to the Partnership. There is in theory no upper limit to how high the price of a security may go. Another risk involved in shorting is the loss of a borrow, a situation where the lender of the security requests its return. In cases like this, the Partnership must either find securities to replace those borrowed or step into the market and repurchase the securities. Depending on the liquidity of the security shorted, if there are insufficient securities available at current market prices, the Partnership may have to bid up the price of the security in order to cover the short position, resulting in losses to the Partnership.

The Partnership may engage in a high rate of trading activity resulting in correspondingly high costs being borne by the Partnership.

Currency and Exchange Rate Risks

The Partnership's cash assets may be held in currencies other than the Canadian dollar, and gains and losses from futures contracts and currency forwards will generally be in currencies other than the Canadian dollar. Accordingly, a portion of the income received by the Partnership will be denominated in non-Canadian currencies. The Partnership nevertheless will compute and distribute its income in Canadian dollars. Thus changes in currency

exchange rates may affect the value of the Partnership's portfolio and the unrealized appreciation or depreciation of investments. Further, the Partnership may incur costs in connection with conversions between various currencies.

Counterparty and Settlement Risk

Some of the markets in which the Partnership will effect its transactions may be over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange based" markets. This exposes the Partnership to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Partnership to suffer a loss. In addition, in the case of a default, the Partnership could become subject to adverse market movements while replacement transactions are executed. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Partnership has concentrated its transactions with a single or small group of counterparties. The Partnership is not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. Moreover, neither the Partnership nor the Manager has an internal credit function which evaluates the creditworthiness of its counterparties. The ability of the Partnership to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Partnership.

To the extent that any counterparty with or through which the Partnership engages in trading and maintains accounts does not segregate the Partnership's assets, the Partnership will be subject to a risk of loss in the event of the insolvency of such Person. Even where the Partnership's assets are segregated, there is no guarantee that in the event of insolvency, the Partnership will be able to recover all of its assets.

Options

Purchasing and selling call and put options are highly specialized activities and may entail greater than ordinary investment risk. Investments in options may be subject to greater fluctuation than an investment in the underlying security. For purchased options, the risk of loss is limited to the amount of the purchase price of the option. In the case of the sale of an uncovered option there can be potential for an unlimited loss. To some extent this risk may be hedged by the purchase or sale of the underlying security.

No Assurance of Return

Although the Manager will use its best efforts to achieve superior rates of return for the Partnership, no assurance can be given in this regard. An investment in Units should be considered as speculative and investors must bear the risk of a loss on their investment.

The foregoing statement of risks does not purport to be a complete explanation of all the risks involved in purchasing the Units of the Fund. Potential investors should read this entire Offering Memorandum and consult with their legal, tax and financial advisers, before making a decision to invest in the Units.

REPORTING OBLIGATIONS

The Fund is not a reporting issuer in any of the provinces or territories of Canada. The Fund will disclose on a monthly basis to Unitholders, in respect of the assets of the Partnership, its asset classes (by industry sub-sector allocations), five largest positions by security weights, number of long and short holding and gross/net, long and short exposures and volatility of the portfolio and risk/reward analysis on the portfolio of the Partnership. Audited financial statements will be prepared and forwarded to Unitholders who request same within ninety (90) days of each Fiscal Year End. Unaudited financial statements will be prepared and forwarded to Unitholders who request same on a semi-annual basis.

The Trustee or Manager will, within the time frame required under the Tax Act, forward to each Unitholder who received distributions from the Fund in the prior calendar year, such information and forms as may be needed by the

Unitholder in order to complete its income tax return in respect of the prior calendar year under the Tax Act and equivalent provincial legislation in Canada.

The Fund is not a "reporting issuer" or equivalent under the securities legislation of any jurisdiction. Accordingly, the Fund is not subject to the "continuous disclosure" requirements of any securities legislation and there is therefore no requirement that the Fund make ongoing disclosure of its affairs including, without limitation, the disclosure of financial information on a quarterly basis or the disclosure of material changes in the business or affairs of the Fund.

The Fund will deliver to prospective investors certain documents, including this Offering Memorandum, a subscription agreement and any updates or amendments to the Offering Memorandum, from time to time by way of facsimile or e-mail. In accordance with the terms of the subscription agreement provided to prospective investors, delivery of such documents by email or facsimile shall constitute valid and effective delivery of such documents unless the Fund receives actual notice that such electronic delivery failed. Unless the Fund receives actual notice that the electronic delivery failed, the Fund is entitled to assume that the facsimile or e-mail and the attached documents were actually received by the prospective investor and the Fund will have no obligation to verify actual receipt of such electronic delivery by the prospective investor.

RESALE RESTRICTIONS

These securities will be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, you will not be able to trade the Units unless you comply with an exemption from the prospectus and registration requirements under securities legislation. Unless permitted under securities legislation, a Unitholder cannot trade the securities before the date that is four months and a day after the date the Fund becomes a reporting issuer in any province or territory in Canada.

For subscribers resident in Manitoba, unless permitted under securities legislation, a Unitholder resident in Manitoba must not trade the Units without the prior written consent of the regulator in Manitoba unless: (a) the Fund has filed a prospectus with the regulator in Manitoba with respect to the Units purchased and the regulator in Manitoba has issued a receipt for that prospectus; or (b) such Unitholder has held the Units for at least 12 months. The regulator in Manitoba will consent to such a trade if the regulator is of the opinion that to do so is not prejudicial to the public interest.

Additionally, Unitholders will not be permitted to transfer their Units without the consent of the Trustee or the Manager. The Trustee, or the Manager on behalf of the Trustee, must approve of any proposed disposition. It is the responsibility of each individual subscriber to ensure that all forms required by the applicable securities legislation are filed as required upon disposition of the Units acquired pursuant to this Offering.

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

STATEMENT OF POLICIES

As a portfolio manager, the Manager may occasionally face conflicts between its own interests and those of its clients, or between the interests of one client and the interests of another. The Manager has adopted certain policies to minimize the occurrence of such conflicts or to deal fairly where those conflicts cannot be avoided. In no case will the Manager put its own interests ahead of those of its clients.

Fairness Policy

Product styles, client regulatory requirements and individual client restrictions differ greatly. In this regard, the Corporation's policies and procedures are designed to provide a fair allocation of investment opportunities for all clients' accounts. It is the Manager's duty and policy to ensure that its directors, officers and employees make every effort to deal fairly, honestly and in good faith with clients.

There is no preferential pricing of units in any fund organized and managed by the Manager. The price for one unit of a class is the price for all units of that same class, as determined by the net asset value of such fund.

Soft Dollar Arrangements

Soft dollar arrangements refer to the use of the Fund's brokerage commissions as payment for order execution services or research. The Manager will not enter into any arrangement to use the Fund's brokerage commissions, or any portion thereof, as payment for goods and services other than order execution services or research services. In circumstances where the Fund does use the Fund's brokerage commissions as payment for order execution services or research services, the Manager will ensure that:

- (a) the goods or services benefit the Fund; and
- (b) a good faith determination has been made that the amount of the Fund brokerage commissions paid is reasonable in relation to the value of the order execution services or research services received.

Personal Trading

The Manager has adopted a policy intended to restrict and monitor personal trading by the employees of the Manager in order to ensure that there is no conflict between such personal trading and the interests of the investment funds managed by the Manager.

It is the Manager's policy to allow personal trading in public equities in which the Fund is invested. In all instances, the interests of the Fund must be placed in front of the personal interest of the Manager's employees, officers and directors. The Manager's directors, officers and employees are required to seek pre-clearance to trade from the Manager's Chief Compliance Officer prior to making any trades and are not to trade in any securities which are included on a list of restricted securities with which the Manager's personnel may have inside information.

Related and Connected Issuers

The securities legislation of Canada requires securities dealers and advisers, when they trade in or advise with respect to their own securities or securities of certain other issuers to which they, or certain other parties related to them, are related or connected, to do so only in accordance with particular disclosure and other rules. These rules require dealers and advisers to inform their clients of the relevant relationship and connections with the issuer of the securities prior to trading with or advising them. Clients should refer to the applicable provisions of such legislation for the particulars of these rules and their rights or consult with a legal adviser.

The Manager is an exempt market dealer, investment fund manager and a portfolio manager. As a result, potential conflicts of interest could arise in connection with the Manager acting in both capacities. As an exempt market dealer, the Manager intends only to sell interests in related limited partnerships and other pooled funds organized and managed by the Manager. Accordingly, there is no opportunity for a potential conflict to arise as there would be if, for example, the Manager also sold or sought investors for, securities of unrelated issuers. Persons purchasing interests through the Manager of limited partnerships and other pooled funds organized and managed by the Manager are informed of this relationship.

The Manager may from time to time be deemed to be related or connected to one or more issuers for purposes of the disclosure and other rules of the securities laws referred to above. The Manager is prepared to act as an adviser and as a dealer in the ordinary course of its business to and in respect of securities of any such related or connected issuer. In any such case, these services shall be carried out by the Manager in the ordinary course of its business as an adviser and a dealer in accordance with its usual practices and procedures and in accordance with all applicable disclosure and other regulatory requirements.

The Manager acts as the manager and investment adviser to the Fund and to the Partnership, but earns fees only for advising the Partnership. The Manager may also act as an exempt market dealer in connection with the marketing and sale of the Units of the Fund and the Partnership. However, no commissions are paid to the Manager in connection with the sale of Units of the Fund or the Partnership. Christopher Theal and Leon Knight are each an officer and director, and Mr. Theal is the sole shareholder of the Manager and of the General Partner of the Partnership.

The Manager has no related registrants.

PROCEEDS OF CRIME (MONEY LAUNDERING) LEGISLATION

In order to comply with Canadian legislation aimed at the prevention of money laundering, the Trustee and/or the Manager may require additional information concerning investors.

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

PURCHASERS' RIGHTS

If you purchase these Units you will have certain rights, some of which are described below. For information about your rights you should consult a lawyer.

Two Day Cancellation Right

If you purchase Units in any province other than Ontario and Quebec in reliance on the exemption from the prospectus requirements contained in section 2.9 of NI 45-106 (offering memorandum) you can cancel your agreement to purchase these Units. To do so, you must send a notice to us by midnight on the second (2nd) business day after you sign the agreement to buy the Units.

Statutory and Contractual Rights of Action in the Event of a Misrepresentation

Securities legislation in certain of the provinces of Canada provides purchasers with a statutory right of action for damages or rescission in cases where an offering memorandum or any amendment thereto contains a Misrepresentation. These rights, or notice with respect thereto, must be exercised or delivered, as the case may be, by purchasers within the time limits prescribed and are subject to the defences and limitations contained under the applicable securities legislation. Purchasers of Units resident in provinces of Canada that do not provide for such statutory rights will be granted a contractual right similar to the statutory right of action and rescission described below for purchasers resident in Ontario and such right will form part of the subscription agreement to be entered into between each such purchaser and the Fund in connection with this Offering.

The following summaries are subject to the express provisions of the securities legislation applicable in each of the provinces of Canada and the regulations, rules and policy statements thereunder. Purchasers should refer to the securities legislation applicable in their province along with the regulations, rules and policy statements thereunder for the complete text of these provisions or should consult with their legal advisor. The contractual and statutory rights of action described in this Offering Memorandum are in addition to and without derogation from any other right or remedy that purchasers may have at law.

Rights of Purchasers in Alberta

If you are a resident of Alberta, and if there is a Misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) the Fund to cancel your agreement to buy these securities, or
- (b) for damages against the Fund, every Person who was a director of the Manager at the date of this Offering Memorandum and every other Person who signed this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the Misrepresentation. However, there are various defences available to the Persons or companies that you have a right to sue. In particular, they have a defence if you knew of the Misrepresentation when you purchased the securities. Additionally, if you elect to exercise a right of rescission against the Fund, you will have no right of action against the Persons described in (b) above.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date that you purchased the securities. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action and three years after the day you purchased the securities.

Rights of Purchasers in British Columbia

If you are a resident of British Columbia, and if there is a Misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) the Fund to cancel your agreement to buy these securities, or
- (b) for damages against the Fund, every Person who was a director of the Manager at the date of this Offering Memorandum and every other Person who signed this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the Misrepresentation. However, there are various defences available to the Persons or companies that you have a right to sue. In particular, they have a defence if you knew of the Misrepresentation when you purchased the securities. Additionally, if you elect to exercise a right of rescission against the Fund, you will have no right of action against the Persons described in (b) above.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date that you purchased the securities. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action and three years after the day you purchased the securities.

Rights of Purchasers in Saskatchewan

If you are a resident of Saskatchewan and if there is a Misrepresentation in this Offering Memorandum, or any amendment thereto, you have a statutory right to sue:

- (a) the Fund to cancel your agreement to buy these securities, or
- (b) for damages against the Fund, every promoter of the Fund, every Person who was a director of the Manager or Trustee at the date of this Offering Memorandum, every Person whose consent has been filed respecting the offering but only with respect to reports, opinions and statements made by that Person, and every other Person who signed this Offering Memorandum.

These statutory rights to sue are available to you whether or not you relied on the Misrepresentation. However, there are various defences available to the Persons or companies that you have a right to sue. In particular, they have a defence if you knew of the Misrepresentation when you purchased the securities. Additionally, if you elect to exercise a right of rescission against the Fund, you will have no right of action against the Persons described in (b) above.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date that you purchased the securities. You must commence your action for damages within the earlier of one year after you first had knowledge of the facts giving rise to the cause of action and six years after the day you purchased the securities.

Rights of Purchasers in Manitoba

If you are a resident of Manitoba, and if there is a Misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) the Fund to rescind your agreement to buy these securities, or
- (b) for damages against the Fund, every Person who was a director of the Manager at the date of this Offering Memorandum and every other Person who signed this Offering Memorandum.

These statutory rights to sue are available to you whether or not you relied on the Misrepresentation. However, there are various defences available to the Persons or companies that you have a right to sue. In particular, they have a defence if you knew of the Misrepresentation when you purchased the securities. Additionally, if you elect to exercise a right of rescission against the Fund, you will have no right of action against the Persons described in (b) above.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to rescind the agreement within 180 days after the date that you purchased the securities. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action or 2 years after the day you purchased the securities.

Rights of Purchasers in Ontario

If you are a resident of Ontario, and if there is a Misrepresentation in this Offering Memorandum, a purchaser who purchases a security offered by this Offering Memorandum during the period of distribution has, without regard to whether the purchaser relied on the Misrepresentation, the following rights:

- (a) the purchaser has a right of action for damages against the Fund and a selling securityholder on whose behalf the distribution is made, or
- (b) where the purchaser purchased the securities from a Person or the Fund referred to in clause (a), the purchaser may elect to exercise a right of rescission against the Person or the Fund, in which case the purchaser shall have no right of action for damages against such Person or the Fund.

The Fund will not be held liable under this paragraph if the subscriber purchased the securities with the knowledge of the Misrepresentation. In an action for damages, the Fund will not be liable for all or any portion of such damages that it proves do not represent the depreciation in value of the securities as a result of the Misrepresentation relied upon and in no case will the amount recoverable under this paragraph exceed the price at which the securities were sold to the subscriber.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date that you purchased the securities. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action and three years after the day you purchased the securities.

Securities legislation in Ontario does not extend the statutory rights of action for damages or rescission to a purchaser who is purchasing the securities in reliance on the "accredited investor" exemption set out in section 2.3 of National Instrument 45-106 and the purchaser is an Excluded Ontario Purchaser. The Excluded Ontario Purchaser will be entitled to a contractual right of action for damages or rescission that is equivalent to the statutory right of

action for damages or rescission available to purchasers resident in Ontario as described above (including insofar as such rights may be subject to the defences and limitations provided for under the Ontario Securities Act).

Rights of Purchasers in Québec

If you are a resident of Québec, and if there is a Misrepresentation in this Offering Memorandum you have a statutory right to:

- (a) apply to have the contract rescinded or the price revised, without prejudice to your claim for damages in the case of rescission or revision of the price; or
- (b) sue for damages against the Fund or the holder, as the case may be, whose securities were distributed, from its officers or directors of the Manager, or from the dealer under contract to the Fund whose securities were distributed; or
- (c) sue for damages against the expert whose opinion containing a Misrepresentation, appeared, with his consent, in the Offering Memorandum and any Person who is required to sign an attestation in this Offering Memorandum;

The Fund will not be held liable under this paragraph if the subscriber purchased the securities with the knowledge of the Misrepresentation.

If you intend to rely on the rights described in (a), (b) or (c) above, you must do so within strict time limitations. You must commence your action to rescind the agreement within 3 years after the date that you purchased the securities. You must commence your action for damages within the earlier of 3 years after you first had knowledge of the facts giving rise to the cause of action or 5 years after the day you purchased the securities.

Rights of Purchasers in Nova Scotia

If you are a resident of Nova Scotia and if there is a Misrepresentation in this Offering Memorandum, or any amendment thereto, you have a statutory right to sue:

- (a) the Fund to cancel your agreement to buy these securities, or
- (b) for damages against the Fund, every Person who was a director of the Manager at the date of this Offering Memorandum and every other Person who signed this Offering Memorandum.

These statutory rights to sue are available to you whether or not you relied on the Misrepresentation. However, there are various defences available to the Persons or companies that you have a right to sue. In particular, they have a defence if you knew of the Misrepresentation when you purchased the securities. Additionally, if you elect to exercise a right of rescission against the Fund, you will have no right of action against the Persons described in (b) above.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date that you purchased the securities. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action and three years after the day you purchased the securities.

Rights of Purchasers in New Brunswick

If you are a resident of New Brunswick and if there is a Misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) the Fund to cancel your agreement to buy these securities, or

- (b) for damages against the Fund or the seller.

The Fund will not be held liable under this paragraph if the subscriber purchased the securities with the knowledge of the Misrepresentation. In an action for damages, the Fund will not be liable for all or any portion of such damages that it proves do not represent the depreciation in value of the securities as a result of the Misrepresentation relied upon and in no case will the amount recoverable under this paragraph exceed the price at which the securities were sold to the subscriber. Additionally, if you elect to exercise a right of rescission against the Fund, you will have no right of action against the Persons described in (b) above.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date that you purchased the securities. You must commence your action for damages within the earlier of one year after you first had knowledge of the facts giving rise to the cause of action and six years after the day you purchased the securities.

Rights of Purchasers in Newfoundland and Labrador, Northwest Territories, Nunavut or Prince Edward Island

If you are a resident of Newfoundland and Labrador, Northwest Territories, Nunavut or Prince Edward Island, and if there is a Misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) the Fund to rescind your agreement to buy these securities, or
- (b) for damages against the Fund, the selling security holder on whose behalf the distribution is made, every Person who was a director of the Manager at the date of this Offering Memorandum and every other Person who signed this Offering Memorandum.

These statutory rights to sue are available to you whether or not you relied on the Misrepresentation. However, there are various defences available to the Persons or companies that you have a right to sue. In particular, they have a defence if you knew of the Misrepresentation when you purchased the securities. Additionally, if you elect to exercise a right of rescission against the Fund, you will have no right of action against the Persons described in (b) above.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to rescind the agreement within 180 days after the date that you purchased the securities. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action or 3 years after the day you purchased the securities.

General

The foregoing summaries are subject to the express provisions of the applicable securities legislation and the regulations, rules and policy statements thereunder and reference is made thereto for the complete text of such provisions. The rights of action described herein are in addition to and without derogation from any other right or remedy that the purchaser may have at law.

INDEPENDENT AUDITORS

The auditors of the Fund are KPMG LLP, Chartered Accountants, located at Bay Adelaide Centre, 333 Bay Street, Suite 4600, Toronto, Ontario M5H 2S5.

FINANCIAL STATEMENTS

Financial Statements
(Expressed in Canadian dollars)

**KOOTENAY GLOBAL ENERGY
ABSOLUTE RETURN FUND
LIMITED PARTNERSHIP**

Year ended December 31, 2013



KPMG LLP
Bay Adelaide Centre
333 Bay Street Suite 4600
Toronto ON M5H 2S5
Canada

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INDEPENDENT AUDITORS' REPORT

To the Limited Partners of Kootenay Global Energy
Absolute Return Fund Limited Partnership

We have audited the accompanying financial statements of Kootenay Global Energy Absolute Return Fund Limited Partnership, which comprise the statement of net assets and condensed statement of investments as at December 31, 2013, the statements of operations and changes in net assets for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position and investments of Kootenay Global Energy Absolute Return Fund Limited Partnership as at December 31, 2013, and its results of operations and its changes in net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Professional Accountants, Licensed Public Accountants

March 28, 2014
Toronto, Canada

KOOTENAY GLOBAL ENERGY ABSOLUTE RETURN FUND LIMITED PARTNERSHIP

Statement of Net assets
(Expressed in Canadian dollars)


December 31, 2013, with comparative information for 2012

	2013	2012
Assets		
Investments in securities, at fair value (cost - \$11,422,123; 2012 - \$13,607,865) (note 2)	\$ 12,472,772	\$ 13,309,308
Cash	7,590,252	-
Receivable for securities sold	1,585,138	1,534,917
Interest and dividends receivable	35,060	4,050
Prepaid expenses	5,544	-
	21,688,766	14,848,275
Liabilities		
Securities sold short, at fair value (proceeds - \$6,187,384; 2012 - \$2,675,661) (note 2)	6,402,077	2,814,024
Due to broker	-	620,324
Payable for securities purchased	567,705	885,782
Performance distribution payable	103,574	117
Accrued expenses	56,065	40,569
Management fee payable	24,258	17,731
Interest and dividends payable	15,247	1,996
Redemptions payable	9,629	-
	7,178,555	4,380,543
Net assets	\$ 14,510,211	\$ 10,467,732

Net asset and net asset per unit (note 5)

See accompanying notes to financial statements.

On behalf of the Partnership:


General Partner,
Kootenay GenPar Ltd.

KOOTENAY GLOBAL ENERGY ABSOLUTE RETURN FUND LIMITED PARTNERSHIP

Statement of Operations
(Expressed in Canadian dollars)

Year ended December 31, 2013, with comparative information for 2012

	2013	2012
Investment income:		
Dividend income (net of foreign withholding tax of \$659; 2012 - \$529)	\$ 194,080	\$ 74,555
Interest	39,387	30,563
Other	29	66
	<u>233,496</u>	<u>105,184</u>
Expenses:		
Management fees (note 3)	261,117	199,307
Other	247,303	51,150
Professional fees	129,790	85,055
Dividend	132,613	92,925
Interest	1,298	593
	<u>772,121</u>	<u>429,030</u>
Net investment loss	(538,625)	(323,846)
Realized and unrealized gains from investments and foreign currencies:		
Net realized gain on investments and foreign currencies	752,551	56,781
Net change in unrealized appreciation on investments and foreign currencies	1,334,376	328,887
Transaction costs on purchases and sales of investments	(333,035)	(175,457)
Net gain on investments	<u>1,753,892</u>	<u>210,211</u>
Increase (decrease) in net assets from operations	<u>\$ 1,215,267</u>	<u>\$ (113,635)</u>

See accompanying notes to financial statements.

KOOTENAY GLOBAL ENERGY ABSOLUTE RETURN FUND LIMITED PARTNERSHIP

Statement of Changes in Net Assets
(Expressed in Canadian dollars)

Year ended December 31, 2013, with comparative information for 2012

2013	Class A	Class A, Kootenay RSP Fund	Class F, Kootenay RSP Fund	Total
Net assets, beginning of year	\$ 10,467,732	\$ –	\$ –	\$ 10,467,732
Capital activities:				
Contributions	100,000	2,787,528	522,933	3,410,461
Withdrawals	(462,147)	–	(9,629)	(471,776)
General partner distribution	(44,530)	(53,143)	(13,800)	(111,473)
	(406,677)	2,734,385	499,504	2,827,212
Increase in net assets from operations	929,073	224,922	61,272	1,215,267
Net assets, end of year	\$ 10,990,128	\$ 2,959,307	\$ 560,776	\$ 14,510,211
2012	Class A	Class A, Kootenay RSP Fund	Class F, Kootenay RSP Fund	Total
Net assets, beginning of year	\$ 9,419,186	\$ –	\$ –	\$ 9,419,186
Capital activities:				
Contributions	1,250,000	–	–	1,250,000
Withdrawals	(84,219)	–	–	(84,219)
General partner distribution	(3,600)	–	–	(3,600)
	1,162,181	–	–	1,162,181
Decrease in net assets from operations	(113,635)	–	–	(113,635)
Net assets, end of year	\$ 10,467,732	\$ –	\$ –	\$ 10,467,732

See accompanying notes to financial statements.

KOOTENAY GLOBAL ENERGY ABSOLUTE RETURN FUND LIMITED PARTNERSHIP

Condensed Statement of Investments
(Expressed in Canadian dollars)

December 31, 2013

Portfolio of investments	Fair value	% of net assets
Investments in securities		
Equity:		
Canada:		
Oil Companies - Exploration and Production	\$ 7,170,272	49.42
Oil - Field services	3,613,850	24.90
Oil Companies - Integrated	673,800	4.64
Gas - Distribution	420,156	2.90
Oil Refining and marketing	351,000	2.42
Capital pools	95,000	0.65
Total Canada (cost - \$11,283,135)	12,324,078	84.93
United States:		
Oil Companies - exploration and production	127,903	0.88
Total United States (cost - \$111,518)	127,903	0.88
Total equity (cost - \$11,394,653)	12,451,981	85.81
Options		
Equity:		
Canada:		
Oil Companies - Exploration and Production	1,200	0.01
Total Canada (cost - \$5,720)	1,200	0.01
United States:		
Growth and Income - Large Cap	10,019	0.07
Commodity	9,572	0.07
Total United States (cost - \$21,750)	19,591	0.14
Total equity (cost - \$27,470)	20,791	0.15
Total investments in securities (cost - \$11,422,123)	\$ 12,472,772	85.96

KOOTENAY GLOBAL ENERGY ABSOLUTE RETURN FUND LIMITED PARTNERSHIP

Condensed Statement of Investments (continued)
(Expressed in Canadian dollars)

December 31, 2013

Portfolio of investments	Fair value	% of net assets
Securities sold short		
Equity:		
Canada:		
Oil Companies - Exploration and Production	\$ 2,905,891	20.03
Oil Transportation - Rail	643,760	4.44
Pipelines	457,600	3.15
Oil Companies - Integrated	424,710	2.93
Total Canada (proceeds - \$4,266,358)	4,431,961	30.55
United States:		
Oil Companies - Exploration and Production	658,570	4.54
Sector Fund - Utility	511,187	3.52
Sector Fund - Energy	404,806	2.79
Growth and Income - Large Cap	395,553	2.73
Total United States (proceeds - \$1,921,026)	1,970,116	13.58
Total equity (proceeds - \$6,187,384)	6,402,077	44.13
Total securities sold short (proceeds - \$6,187,384)	\$ 6,402,077	44.13

See accompanying notes to financial statements.

KOOTENAY GLOBAL ENERGY ABSOLUTE RETURN FUND LIMITED PARTNERSHIP

Notes to Financial Statements
(Expressed in Canadian dollars)

Year ended December 31, 2013

Kootenay Global Energy Absolute Return Fund Limited Partnership (the "Partnership") was formed on May 11, 2011 under the laws of the Province of Alberta pursuant to a limited partnership agreement dated May 11, 2011 (the "Limited Partnership Agreement"), as amended from time to time, and commenced operations on July 18, 2011. Kootenay GenPar Ltd. is the general partner of the Partnership (the "General Partner"). Kootenay Capital Management Corp. (the "Manager") is the investment manager of the Partnership.

The Partnership has been formed to source equity investment opportunities from a broad spectrum of global energy companies that are involved in the finding, developing, producing, refining/upgrading and distribution of crude oil, natural gas, coal, biofuel and alternative energy products, as well as electricity generation and transmission providers. The Partnership will invest in both domestic and international energy companies, as well as providers of oil field services to the upstream industry.

1. Significant accounting policies:

These financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

The following is a summary of the significant accounting policies consistently followed by the Partnership:

(a) Fair value measurement:

The Chartered Professional Accountants of Canada ("CPA Canada") Handbook Section 3862, Financial Instruments - Disclosures requires a three-tier hierarchy as a framework for disclosing fair value based on inputs used to value the Partnership's investments. The hierarchy of inputs is summarized below:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities. An active market is one in which transactions for the assets occur with sufficient frequency and volume to provide pricing information on an ongoing basis;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability; and

KOOTENAY GLOBAL ENERGY ABSOLUTE RETURN FUND LIMITED PARTNERSHIP

Notes to Financial Statements (continued)
(Expressed in Canadian dollars)

Year ended December 31, 2013

1. Significant accounting policies (continued):

- Level 3 - inputs for the asset or liability that are not based on observable market data.

See note 2 for the fair value hierarchy.

(b) Valuation of investments:

For financial reporting purposes, investments listed on a recognized securities exchange or that are traded on an over-the-counter market are valued at their bid price on the valuation date. Investments sold short are valued at their ask price. Investments with no available bid or ask price are valued at their closing sale price.

Investments for which a current fair value quotation is not available are valued in such manner as in the opinion of the Manager most accurately reflects the investments' fair value.

(c) Investment transactions and income:

Investment transactions are recorded and accounted for on a trade date basis. Interest income is recorded as earned. Dividend income is recognized at the time of security trades on an ex-dividend basis. Dividends declared on securities sold short are recorded as a dividend expense on the ex-dividend date. Realized gains and losses arising from the sale of investments are determined on an average cost basis.

Investment income, realized gains and losses arising from the sale of investments, and changes in unrealized appreciation or depreciation of investments are allocated among series of units based on each series' proportionate share of the net asset value of the Partnership.

(d) Cash:

Cash consists of cash on deposit at the Partnership's custodian and is carried at cost or amortized cost, which approximates fair value.

KOOTENAY GLOBAL ENERGY ABSOLUTE RETURN FUND LIMITED PARTNERSHIP

Notes to Financial Statements (continued)
(Expressed in Canadian dollars)

Year ended December 31, 2013

1. Significant accounting policies (continued):

(e) Foreign currency translation:

The financial statements of the Partnership are denominated in Canadian dollars. Foreign denominated investments and other foreign denominated assets and liabilities are translated into Canadian dollars using the exchange rates prevailing on each valuation date. Purchases and sales of investments, as well as income and expense transactions denominated in foreign currencies, are translated using exchange rates prevailing on the date of the transaction. Realized foreign currency gains and losses are included in net realized gains and losses on investments and foreign currencies in the statement of operations. Unrealized appreciation or depreciation of investments and foreign currencies includes those gains and losses that result from foreign exchange rate changes.

(f) Valuation of series:

The net assets of a particular series of units is computed by calculating the value of that series' proportionate share of net assets of the Partnership common to all series with investments valued at their closing trade price plus net assets of the Partnership attributable only to that specific series. Expenses directly attributable to a series are charged only to that series. Other common expenses are allocated proportionately based upon the relative net asset value of the respective series in relation to the total net asset value of the Partnership.

(g) Use of estimates and judgment:

The preparation of financial statements requires management to make estimates, judgments and assumptions that affect application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

KOOTENAY GLOBAL ENERGY ABSOLUTE RETURN FUND LIMITED PARTNERSHIP

Notes to Financial Statements (continued)
(Expressed in Canadian dollars)

Year ended December 31, 2013

1. Significant accounting policies (continued):

(h) Income taxes:

The financial statements include the financial position and results of operations and statement of investments of the Fund. However, they do not include all the assets, liabilities, revenue and expense of the individual partners. Income taxes are not assessed at the Partnership level and, accordingly, no provision is recorded in these financial statements.

The Partnership is subject to withholding taxes on foreign income. In general, the Partnership treats withholding tax as a charge against income for tax purposes.

(i) Future accounting change:

On February 13, 2008, the Accounting Standards Board ("AcSB") confirmed that publicly accountable enterprises would be required to adopt International Financial Reporting Standards ("IFRS"), as published by the International Accounting Standards Board ("IASB"), on January 1, 2011. However, the AcSB deferred the mandatory IFRS changeover date for Canadian investment funds to January 1, 2014.

Consequently, the Partnership will publish its first annual audited financial statements in accordance with IFRS for the year ending December 31, 2014, with comparatives for the year ended December 31, 2013, and prepare an opening IFRS statement of net assets at January 1, 2013.

The Manager has not identified any changes that will impact NAV per unit as a result of the changeover to IFRS. However, this determination is subject to change as the Manager finalizes its assessment of the impact of IFRS, and the impact of new standards issued by the IASB prior to the Partnership's adoption of IFRS (see commentary below). The criteria contained within IAS 32, Financial Instruments - Presentation, may require unitholders' equity to be classified as a liability within the Partnership's statement of net assets, unless certain conditions are met. The Manager is currently assessing the Partnership's unitholder structure to confirm the appropriate classification in accordance with IFRS.

KOOTENAY GLOBAL ENERGY ABSOLUTE RETURN FUND LIMITED PARTNERSHIP

Notes to Financial Statements (continued)
(Expressed in Canadian dollars)

Year ended December 31, 2013

1. Significant accounting policies (continued):

IFRS is also expected to affect the overall presentation of financial statements, such as the inclusion of a statement of cash flows in the financial statements. Overall, enhanced disclosure requirements are expected.

Upon adoption of IFRS the Partnership will apply IFRS 13, Fair Value Measurement. IFRS 13 defines fair value, sets out a single IFRS framework for measuring fair value and requires disclosure about fair value measurements. It applies when other IFRSs require or permit fair value measurement. If an asset or a liability measured at fair value has a bid price and an ask price, it requires valuation to be based on a price within the bid-ask spread that is most representative of fair value. It allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. This may result in eliminating the difference between the NAV per unit and net assets per unit under current Canadian GAAP.

In October 31, 2012, the IASB published Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27), which provides an exemption from consolidation of subsidiaries under IFRS 10, Consolidated Financial Statements, for entities which meet the definition of an "investment entity". A qualifying investment entity is required to account for investments in controlled entities, as well as investments in associates and joint ventures, at fair value through profit or loss; the only exception would be subsidiaries that are considered an extension of the investment entity's investing activities. The consolidation exception is mandatory, not optional.

KOOTENAY GLOBAL ENERGY ABSOLUTE RETURN FUND LIMITED PARTNERSHIP

Notes to Financial Statements (continued)
(Expressed in Canadian dollars)

Year ended December 31, 2013

2. Fair value measurement:

The Partnership's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy as described in the Partnership's significant accounting policies in note 1. The following table presents information about the Partnership's assets and liabilities measured at fair value as of December 31, 2013 and 2012:

2013	Quoted prices in active markets for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3	Total
Assets (at fair value)				
Investments in securities: Equities	\$ 12,472,772	\$ –	\$ –	\$ 12,472,772
Liabilities (at fair value)				
Securities sold short: Equities	\$ 6,402,077	\$ –	\$ –	\$ 6,402,077
2012	Quoted prices in active markets for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3	Total
Assets (at fair value)				
Investments in securities: Equities	\$ 12,965,558	\$ 343,750	\$ –	\$ 13,309,308
Liabilities (at fair value)				
Securities sold short: Equities	\$ 2,814,024	\$ –	\$ –	\$ 2,814,024

KOOTENAY GLOBAL ENERGY ABSOLUTE RETURN FUND LIMITED PARTNERSHIP

Notes to Financial Statements (continued)
(Expressed in Canadian dollars)

Year ended December 31, 2013

3. Management fees, performance distribution fees and expenses:

(a) Management fees:

In consideration for management services, pursuant to the Limited Partnership Agreement, the Partnership pays the Manager a management fee (the "Management Fee") at the annualized rate of 2% plus GST. The Management Fee is calculated and paid monthly, based on the net asset value of the respective series of units of the Partnership on the last business day of the month. The Management Fee is calculated prior to, and without taking into account, any performance distribution payable to the General Partner. The Management Fee for the year ended December 31, 2013 amounted to \$261,117 (2012 - \$199,307), of which \$24,258 was payable at December 31, 2013 (2012 - \$17,731).

(b) Performance distribution:

In addition to the Management Fee payable in respect of each series of units, the General Partner is entitled to receive a quarterly performance distribution (the "Performance Distribution") for its services as General Partner. The Performance Distribution is equal to 20% of the increase in the net asset value of each series, subject to a "high water mark" that ensures any decline in the net asset value of each series below the high water mark has to be recouped before a Performance Distribution will be charged in respect of the series in any subsequent period. The high watermark for a series is the greater of:

- (i) the purchase price of the series, and
- (ii) if a performance distribution has been paid in respect of the series, the net asset value of the series on the last date on which a performance distribution was paid.

Performance Distributions are calculated and accrued as of the last valuation date of each fiscal quarter. A performance distribution of \$111,473 was earned by the General Partner for the year ended December 31, 2013 (2012 - \$3,600) of which \$103,574 was payable at December 31, 2013.

(c) Expenses:

The Partnership is responsible for the payment of its own operating expenses, including legal, accounting, audit, brokerage, data and exchange fees and all other expenses incurred in the ordinary course of operations.

KOOTENAY GLOBAL ENERGY ABSOLUTE RETURN FUND LIMITED PARTNERSHIP

Notes to Financial Statements (continued)
(Expressed in Canadian dollars)

Year ended December 31, 2013

4. Partners' capital:

(a) Capital contributions:

The Limited Partnership Agreement authorizes the Partnership to issue an unlimited number of units in one or more classes or series. Units have no nominal or par value. Limited Partners may make capital contributions for Units to the Partnership as of any valuation date, which is the last business day of the month. Each capital contribution shall be credited to the capital account of the Limited Partner, and the Limited Partner's capital account shall be adjusted accordingly.

(b) Capital redemptions:

In accordance with the terms of the Limited Partnership Agreement, Limited Partners may withdraw all or any portion of their capital account on any valuation date by providing the General Partner with prior written notice at least 30 days in advance of such withdrawal. Limited Partners wishing to redeem within 180 days of their initial investment may be subject to redemption fees, at the discretion of the General Partner.

(c) Series conversion:

At the end of each fiscal quarter, each series of units, other than those series of units which are below the high water mark, are converted into the initial series of units issued in the year, or a series designated by the General Partner, (the "Base Series") of their respective class at the net asset value of the Base Series, provided that the Base Series is above its high water mark. There will be no change in the aggregate net asset value of a Limited Partner's investments due to the conversion of their units into the Base Series, although a different number of units will be owned by the Limited Partner.

KOOTENAY GLOBAL ENERGY ABSOLUTE RETURN FUND LIMITED PARTNERSHIP

Notes to Financial Statements (continued)
(Expressed in Canadian dollars)

Year ended December 31, 2013

4. Partners' capital (continued):

Transactions in capital shares during the period, and the shares outstanding as of December 31, 2013, for each Class and Series of shares are as follows:

2013	Outstanding units, beginning of year	Units issued	Units redeemed	Outstanding units, end of year
Class A:				
Series 2011-07	9,930.00	–	(228.43)	9,701.57
Series 2011-08	149.71	–	–	149.71
Series 2012-03	101.81	–	–	101.81
Series 2012-04	416.32	–	–	416.32
Series 2012-07	398.97	–	(277.65)	121.32
Series 2012-11	107.09	–	–	107.09
Series 2012-12	328.12	–	–	328.12
Series 2013-12	–	106.44	–	106.44
Class A:				
Kootenay RSP Fund	–	3,078.35	–	3,078.35
Class F:				
Kootenay RSP Fund	–	549.51	(9.00)	540.51
	11,432.02	3,734.30	(515.08)	14,651.24

KOOTENAY GLOBAL ENERGY ABSOLUTE RETURN FUND LIMITED PARTNERSHIP

Notes to Financial Statements (continued)
(Expressed in Canadian dollars)

Year ended December 31, 2013

4. Partners' capital (continued):

2013	Net assets, beginning of year	Contributions	Withdrawals	Increase in net assets from operations	Net assets, end of year
Class A:					
Series 2011-07	\$ 9,108,551	\$ —	\$ (215,782)	\$ 795,703	\$ 9,688,472
Series 2011-08	137,260	—	—	12,248	149,508
Series 2012-03	93,392	—	—	7,927	101,319
Series 2012-04	381,885	—	—	30,976	412,861
Series 2012-07	357,597	—	(246,365)	5,525	116,757
Series 2012-11	95,357	—	—	7,679	103,036
Series 2012-12	293,690	—	—	22,073	315,763
Series 2013-11	—	100,000	—	2,412	102,412
Class A: Kootenay RSP Fund					
	—	2,787,528	—	171,779	2,959,307
Class F: Kootenay RSP Fund					
	—	522,933	(9,629)	47,472	560,776
General partner distribution					
	—	—	(111,473)	111,473	—
	\$ 10,467,732	\$ 3,410,461	\$ (583,249)	\$ 1,215,267	\$ 14,510,211

KOOTENAY GLOBAL ENERGY ABSOLUTE RETURN FUND LIMITED PARTNERSHIP

Notes to Financial Statements (continued)
(Expressed in Canadian dollars)

Year ended December 31, 2013

4. Partners' capital (continued):

2012	Outstanding units, beginning of year	Units issued	Units redeemed	Outstanding units, end of year
Class A:				
Series 2011-07	10,020.64	–	(90.64)	9,930.00
Series 2011-08	149.71	–	–	149.71
Series 2012-03	–	101.81	–	101.81
Series 2012-04	–	416.32	–	416.32
Series 2012-07	–	398.97	–	398.97
Series 2012-11	–	107.09	–	107.09
Series 2012-12	–	328.12	–	328.12
	10,170.35	1,352.31	(90.64)	11,432.02

2012	Net assets, beginning of year	Contributions	Withdrawals	Increase (decrease) in net assets from operations	Net assets, end of year
Class A:					
Series 2011-07	\$ 9,280,599	\$ –	\$ (84,219)	\$ (87,829)	\$ 9,108,551
Series 2011-08	138,587	–	–	(1,327)	137,260
Series 2012-03	–	100,000	–	(6,608)	93,392
Series 2012-04	–	400,000	–	(18,115)	381,885
Series 2012-07	–	350,000	–	7,597	357,597
Series 2012-11	–	100,000	–	(4,643)	95,357
Series 2012-12	–	300,000	–	(6,310)	293,690
General partner distribution	–	–	(3,600)	3,600	–
	\$ 9,419,186	\$ 1,250,000	\$ (87,819)	\$ (113,635)	\$ 10,467,732

KOOTENAY GLOBAL ENERGY ABSOLUTE RETURN FUND LIMITED PARTNERSHIP

Notes to Financial Statements (continued)
(Expressed in Canadian dollars)

Year ended December 31, 2013

4. Partners' capital (continued):

The net asset and net asset per unit are as follows:

2013:

Series	Net asset	Net asset per unit
Class A, Series 2011-07	\$ 9,688,472	\$ 998.6499
Class A, Series 2011-08	149,508	998.6507
Class A, Series 2012-03	101,319	995.1773
Class A, Series 2012-04	412,861	991.6915
Class A, Series 2012-07	116,757	962.3887
Class A, Series 2012-11	103,036	962.1440
Class A, Series 2012-12	315,763	962.3400
Class A, Series 2013-11	102,412	962.1571
Class A, Kootenay RSP Fund	2,959,307	961.3290
Class F, Kootenay RSP Fund	560,776	1,037.4942
	\$ 14,510,211	

2012:

Series	Net asset	Net asset per unit
Class A, Series 2011-07	\$ 9,108,551	\$ 917.2769
Class A, Series 2011-08	137,260	916.8374
Class A, Series 2012-03	93,392	917.2778
Class A, Series 2012-04	381,885	917.2778
Class A, Series 2012-07	357,597	896.2931
Class A, Series 2012-11	95,357	890.4555
Class A, Series 2012-12	293,690	895.0710
	\$ 10,467,732	

KOOTENAY GLOBAL ENERGY ABSOLUTE RETURN FUND LIMITED PARTNERSHIP

Notes to Financial Statements (continued)
(Expressed in Canadian dollars)

Year ended December 31, 2013

5. Reconciliation of net asset value to net asset:

For financial statement purposes, the Partnership follows CPA Canada Handbook Section 3855, which requires the use of bid prices for securities owned and traded in an active market, to determine the fair value of its investments ("GAAP NAV"). For trading purposes, the Partnership determines the net asset value of its investments in accordance with the Partnership's Offering Memorandum ("Pricing NAV"), which values the listed securities at their last trade price. A reconciliation of the net asset values calculated according to GAAP NAV and Pricing NAV is as follows:

2013	Pricing NAV	Section 3855 adjustment	Fund formation adjustment	GAAP NAV
Class A:				
Series 2011-07	\$ 1,012.4156	\$ (5.5107)	\$ (8.2550)	\$ 998.6499
Series 2011-08	1,012.4133	(5.5106)	(8.2520)	998.6507
Series 2012-03	1,008.8930	(5.4915)	(8.2242)	995.1773
Series 2012-04	1,005.3615	(5.4723)	(8.1977)	991.6915
Series 2012-07	975.6559	(5.3106)	(7.9566)	962.3887
Series 2012-11	975.4023	(5.3092)	(7.9491)	962.1440
Series 2012-12	975.6063	(5.3103)	(7.9560)	962.3400
Series 2013-11	975.4204	(5.3093)	(7.9540)	962.1571
Class A:				
Kootenay RSP Fund	974.5799	(5.3047)	(7.9462)	961.3290
Class F:				
Kootenay RSP Fund	1,051.7952	(5.7250)	(8.5760)	1,037.4942

KOOTENAY GLOBAL ENERGY ABSOLUTE RETURN FUND LIMITED PARTNERSHIP

Notes to Financial Statements (continued)
(Expressed in Canadian dollars)

Year ended December 31, 2013

5. Reconciliation of net asset value to net asset (continued):

2012	Pricing NAV	Section 3855 adjustment	Fund formation adjustment	GAAP NAV
Class A:				
Series 2011-07	\$ 930.5887	\$ (5.4617)	\$ (7.8501)	\$ 917.2769
Series 2011-08	930.1428	(5.4591)	(7.8463)	916.8374
Series 2012-03	930.5896	(5.4617)	(7.8501)	917.2778
Series 2012-04	930.5896	(5.4617)	(7.8501)	917.2778
Series 2012-07	909.3004	(5.3367)	(7.6706)	896.2931
Series 2012-11	903.3781	(5.3020)	(7.6206)	890.4555
Series 2012-12	908.0605	(5.3295)	(7.6600)	895.0710

6. Related party transactions:

The Manager and the General Partner are related by virtue of common control. The Manager, its officers and directors invest in units of the Partnership from time to time in the normal course of business. During the year ended December 31, 2013, 483.80 (2012 - 300) units of the Partnership were owned directly or indirectly (through investments in the Kootenay Energy RSP Fund) by parties related to the Manager and General Partner, or its officers and directors, and represent a value of \$481,781 (2012 - \$279,177).

7. Financial instruments and risk management:

The Partnership's investment activities expose it to a variety of financial risks. The Manager seeks to minimize potential adverse effects of these risks on the Partnership's performance by daily monitoring of the Partnership's positions and market events, by diversifying the investment portfolio within the constraints of the investment objective. To assist in managing risks, the Manager also uses internal guidelines that identify the target exposures for each type of risk, maintains a governance structure that oversees the Partnership's investment activities and monitors compliance with the Partnership's stated investment strategy, internal guidelines and securities regulations.

KOOTENAY GLOBAL ENERGY ABSOLUTE RETURN FUND LIMITED PARTNERSHIP

Notes to Financial Statements (continued)
(Expressed in Canadian dollars)

Year ended December 31, 2013

7. Financial instruments and risk management (continued):

(a) Liquidity risk:

Liquidity risk is the possibility that investments cannot be readily converted into cash when required. Liquidity risk is managed by investing the majority of the Partnership's assets in investments that are traded in an active market and can be readily disposed.

(b) Credit risk:

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Partnership. All amounts due from brokers, cash and term deposits are held by parties with a credit rating of B or higher and the carrying value on the statement of net assets represents the maximum credit risk exposure of the Partnership. At December 31, 2013 and 2012, 100% of the Partnership's cash and investments were held with a single financial institution.

(c) Interest rate risk:

The majority of the Partnership's financial assets and liabilities are non-interest bearing. As a result, the Partnership is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short-term market interest rates.

KOOTENAY GLOBAL ENERGY ABSOLUTE RETURN FUND LIMITED PARTNERSHIP

Notes to Financial Statements (continued)
(Expressed in Canadian dollars)

Year ended December 31, 2013

7. Financial instruments and risk management (continued):

(d) Price risk:

Price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. The Manager moderates this risk through careful selection and diversification of securities and other financial instruments with the Partnership's investment objectives and strategies.

At December 31, 2013 and 2012, the Partnership's market risk is impacted directly by changes in equity prices. The immediate impact on equities of a 5% increase or decrease in the fair value of investments, assuming all other variables remain constant, would be approximately \$302,500 (2012 - \$525,000).

(e) Currency risk:

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Partnership's reporting currency, will fluctuate due to changes in exchange rates.

KOOTENAY GLOBAL ENERGY ABSOLUTE RETURN FUND LIMITED PARTNERSHIP

Notes to Financial Statements (continued)
(Expressed in Canadian dollars)

Year ended December 31, 2013

7. Financial instruments and risk management (continued):

The following table indicates the foreign currencies to which the Partnership had significant exposure as at year end in Canadian dollar terms. The table below also illustrates the potential impact to the Partnership's net assets, all other variables held constant, as a result of a 5% change in these currencies relative to the Canadian dollar. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

2013		Exposure			Sensitivity Impact on net assets
Currency	Equities	Cash	Total		
U.S. dollars	\$ (1,822,622)	\$ 1,245,746	\$ (576,876)	\$ 28,844	
As percentage of net assets			(3.98)	0.20	

2012		Exposure			Sensitivity Impact on net assets
Currency	Equities	Cash	Total		
U.S. dollars	\$ (595,746)	\$ 357,756	\$ (237,990)	\$ 11,900	
	\$ (595,746)	\$ 357,756	\$ (237,990)	\$ 11,900	
As percentage of net assets			(2.27)	0.11	

Financial Statements of

**KOOTENAY ENERGY
RSP FUND**

Period from January 17, 2013 (date of commencement
of operations) to December 31, 2013



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INDEPENDENT AUDITORS' REPORT

To the Unitholders of Kootenay Energy RSP Fund

We have audited the accompanying financial statements of Kootenay Energy RSP Fund, which comprise the statements of net assets and investments as at December 31, 2013, statements of operations and changes in net assets for the period from January 17, 2013 (date of commencement of operations) to December 31, 2013, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position and investments of Kootenay Energy RSP Fund as at December 31, 2013, and its results of operations and its changes in net assets for the period from January 17, 2013 (date of commencement of operations) to December 31, 2013 in accordance with Canadian generally accepted accounting principles.

Chartered Professional Accountants, Licensed Public Accountants

March 28, 2014
Toronto, Canada

KOOTENAY ENERGY RSP FUND

Statement of Net Assets

December 31, 2013

Assets

Current assets:

Investment in Kootenay Global Energy Absolute Return Fund Limited Partnership (cost - \$3,300,832) (note 2)	\$ 3,568,604
Due from Kootenay Global Energy Absolute Return Fund Limited Partnership	9,629
Cash and cash equivalents	—
	<hr/> 3,578,233

Liabilities

Current liabilities:

Redemptions payable	9,629
	<hr/> \$ 3,568,604

Net assets, representing unitholders' equity (note 3):

Class A	\$ 3,000,098
Class F	568,506
Settler contribution	—
	<hr/> \$ 3,568,604

Total units outstanding:

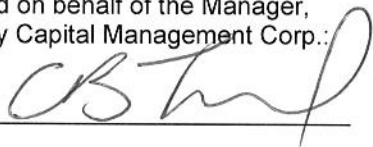
Class A	\$ 282,833.39
Class F	53,460.23

Net asset value per unit:

Class A	\$ 10.6073
Class F	10.6342

See accompanying notes to financial statements.

Approved on behalf of the Manager,
Kootenay Capital Management Corp.:



KOOTENAY ENERGY RSP FUND

Statement of Operations

Period from January 17, 2013 (date of commencement of operations)
to December 31, 2013

Net change in unrealized appreciation in value of investment	\$ 267,772
Increase in net assets from operations	<u>\$ 267,772</u>

See accompanying notes to financial statements.

KOOTENAY ENERGY RSP FUND

Statement of Changes in Net Assets

Period from January 17, 2013 (date of commencement of operations)
to December 31, 2013

	Class A	Class F	Total
Net assets, beginning of period	\$ -	\$ -	\$ -
Capital activities:			
Contributions	2,787,528	522,933	3,310,461
Withdrawals	-	(9,629)	(9,629)
	2,787,528	513,304	3,300,832
Increase in net assets from operations	212,570	55,202	267,772
Net assets, end of period	\$ 3,000,098	\$ 568,506	\$ 3,568,604

See accompanying notes to financial statements.

KOOTENAY ENERGY RSP FUND

Statement of Investments

December 31, 2013

Portfolio of investments	Fair value	% of net assets
Canadian hedge fund:		
Kootenay Global Energy Absolute Return: Fund Limited Partnership, Class A, The Kootenay RSP Fund	\$ 3,000,098	84.07
Fund Limited Partnership, Class F, The Kootenay RSP Fund	568,506	15.93
Total investments in securities (cost - \$3,300,832)	\$ 3,568,604	100.00

See accompanying notes to financial statements.

KOOTENAY ENERGY RSP FUND

Notes to Financial Statements

Period from January 17, 2013 (date of commencement of operations)
to December 31, 2013

The Kootenay Energy RSP Fund (the "Fund") was formed as a private, open-ended investment trust established under the laws of the Province of Alberta, in accordance with the amended and restated Deed of Trust dated January 17, 2013. The investment objective of the Fund is to provide holders of units (the "Unitholders") with exposure to the Kootenay Global Energy Absolute Return Fund Limited Partnership (the "Partnership") portfolio of securities by investing in limited partnership units of the Partnership. As such, the investment strategies of the Partnership are applicable to the Fund to the extent its assets are invested in the Partnership.

The investment objective of the Partnership is to achieve absolute returns from investment opportunities focused on Canadian and U.S. capital markets. The Manager uses a multi-strategy approach to achieve the Partnership's investment objective. The primary strategy of the Partnership is to focus on long and short investments in equity securities of publicly listed Canadian and U.S. issuers.

The financial statements, including the condensed statement of investments, of the Partnership are integral to the financial statements of the Fund and should be read together. The audited financial statements for the Partnership for the year ended December 31, 2013 are attached. The Fund owns approximately 24% of the partnership at December 31, 2013.

The trustees of the Fund have engaged Kootenay Capital Management Corp. (the "Manager") to direct the day-to-day business, operations and affairs of the Fund, including management of the Fund's portfolio on a discretionary basis and distribution of the units of the Fund.

The Fund commenced operations on January 17, 2013.

1. Significant accounting policies:

These financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

The following summarizes the accounting policies of the Fund:

(a) Cash and cash equivalents:

The carrying value of cash and cash equivalents approximates its fair value due to the relative short period to maturity.

KOOTENAY ENERGY RSP FUND

Notes to Financial Statements (continued)

Period from January 17, 2013 (date of commencement of operations)
to December 31, 2013

1. Significant accounting policies (continued):

(b) Use of estimates and judgments:

The preparation of financial statements requires management to make estimates, judgments and assumptions that affect application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(c) Financial instruments:

The Chartered Professional Accountants of Canada Handbook Section 3862, Financial Instruments - Disclosures requires a three-tier hierarchy as a framework for disclosing fair value based on inputs used to value the Partnership's investments. The hierarchy of inputs is summarized below:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities. An active market is one in which transactions for the assets occur with sufficient frequency and volume to provide pricing information on an ongoing basis;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability; and
- Level 3 - inputs for the asset or liability that are not based on observable market data.

See note 2 for the fair value hierarchy. The investment in the Partnership is classified as Level 2.

KOOTENAY ENERGY RSP FUND

Notes to Financial Statements (continued)

Period from January 17, 2013 (date of commencement of operations)
to December 31, 2013

1. Significant accounting policies (continued):

(d) Valuation of underlying fund:

Investment in Partnership is valued at the series Net Asset Value per unit as of the valuation date, as this value is the most readily and regularly available. Commissions and other portfolio transaction costs do not apply to investments in underlying fund as these investments do not incur such costs.

(e) Future accounting change:

On February 13, 2008, the Accounting Standards Board ("AcSB") confirmed that publicly accountable enterprises would be required to adopt International Financial Reporting Standards ("IFRS"), as published by the International Accounting Standards Board ("IASB"), on January 1, 2011. However, the AcSB deferred the mandatory IFRS changeover date for Canadian investment funds to January 1, 2014.

Consequently, the Fund will publish its first annual audited financial statements in accordance with IFRS for the year ending December 31, 2014, with comparatives for the year ended December 31, 2013, and prepare an opening IFRS statement of net assets at January 1, 2013.

The Manager has not identified any changes that will impact NAV per unit as a result of the changeover to IFRS. However, this determination is subject to change as the Manager finalizes its assessment of the impact of IFRS, and the impact of new standards issued by the IASB prior to the Fund's adoption of IFRS (see commentary below). The criteria contained within IAS 32, Financial Instruments - Presentation, may require unitholders' equity to be classified as a liability within the Fund's statement of net assets, unless certain conditions are met. The Manager is currently assessing the Fund's unitholder structure to confirm the appropriate classification in accordance with IFRS.

IFRS is also expected to affect the overall presentation of financial statements, such as the inclusion of a statement of cash flows in the financial statements. Overall, enhanced disclosure requirements are expected.

KOOTENAY ENERGY RSP FUND

Notes to Financial Statements (continued)

Period from January 17, 2013 (date of commencement of operations)
to December 31, 2013

1. Significant accounting policies (continued):

Upon adoption of IFRS the Fund will apply IFRS 13, Fair Value Measurement. IFRS 13 defines fair value, sets out a single IFRS framework for measuring fair value and requires disclosure about fair value measurements. It applies when other IFRSs require or permit fair value measurement. If an asset or a liability measured at fair value has a bid price and an ask price, it requires valuation to be based on a price within the bid-ask spread that is most representative of fair value. It allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. This may result in eliminating the difference between the NAV per unit and net assets per unit under current Canadian GAAP.

In October 31, 2012, the IASB published Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27), which provides an exemption from consolidation of subsidiaries under IFRS 10, Consolidated Financial Statements, for entities which meet the definition of an "investment entity". A qualifying investment entity is required to account for investments in controlled entities, as well as investments in associates and joint ventures, at fair value through profit or loss; the only exception would be subsidiaries that are considered an extension of the investment entity's investing activities. The consolidation exception is mandatory, not optional.

2. Fair value measurement:

The Fund's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy as described in the Partnership's significant accounting policies in note 1. As mentioned earlier, the Fund's primary objective is to invest in limited partnership units of the Partnership. The following table presents information about the Fund's assets and liabilities measured at fair value as of December 31, 2013:

	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
Assets (at fair value)				
Investments in securities:				
Equities	\$ –	\$ 3,568,604	\$ –	\$ 3,568,604

KOOTENAY ENERGY RSP FUND

Notes to Financial Statements (continued)

Period from January 17, 2013 (date of commencement of operations)
to December 31, 2013

3. Unitholders' equity:

The Fund is authorized to issue an unlimited number of units in each class. The Fund may issue fractional units.

Transactions in units during the year, and the units outstanding as of December 31, 2013, for each Class of units are as follows:

	Outstanding units, beginning of period	Units issued	Units redeemed	Outstanding units, end of period
Class A	–	282,833.39	–	282,833.39
Class F	–	54,365.72	(905.49)	53,460.23
	–	337,199.11	(905.49)	336,293.62

4. Related party transactions:

The Manager, its officers and directors invest in units of the Fund from time to time in the normal course of business. During the year ended December 31, 2013, 19,500 units of the Fund were owned by parties related to the Manager, or its officers and directors, and represent a value of \$206,842.

5. Financial instruments:

Unless otherwise noted, these risk factors are associated with the investments in the underlying Partnership and thereby, are relevant to the Fund as all or substantially all of the Fund's assets are invested in securities of the Partnership.

KOOTENAY ENERGY RSP FUND

Notes to Financial Statements (continued)

Period from January 17, 2013 (date of commencement of operations)
to December 31, 2013

5. Financial instruments (continued):

Management of financial instrument risks:

In the normal course of business, the Fund is exposed to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, other price risk and currency risk). The value of investments within the Partnership's portfolio can fluctuate on a daily basis as a result of changes in interest rates, economic conditions, the market and company news related to specific securities within the Partnership. The level of risk depends on the Partnership's investment objective and the type of securities it invests in.

(a) Credit risk:

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Partnership.

Where the Partnership invests in debt instruments and derivatives, this represents the main concentration of credit risk. The fair value of debt instruments and derivatives includes consideration of the creditworthiness of the issuer and, accordingly, represents the maximum credit risk exposure of the Partnership.

All transactions executed by the Partnership in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

Refer to the financial statements of the Partnership, as attached, for its exposures to credit risk at December 31, 2013.

(b) Liquidity risk:

Liquidity risk is defined as the risk that Fund or the Partnership may not be able to settle or meet their obligation on time or at a reasonable price.

The Fund is directly exposed to liquidity risk in the periodic redemptions of units. The Fund invests mainly in the Partnership, which manages its liquidity risk, as discussed below.

KOOTENAY ENERGY RSP FUND

Notes to Financial Statements (continued)

Period from January 17, 2013 (date of commencement of operations)
to December 31, 2013

5. Financial instruments (continued):

The Partnership's exposure to liquidity risk is concentrated in the periodic cash redemptions of units. The Partnership primarily invests in securities that are traded in active markets and can be readily disposed of. In addition, the Partnership generally retains sufficient cash and cash equivalent positions to maintain liquidity.

The Partnership may employ the use of derivatives to moderate certain risk exposures. There is no guarantee that a market will exist for some derivatives and it is possible that the exchanges may impose limits on trading of derivatives.

(c) Market risk:

(i) Interest rate risk:

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. Interest rate risk arises when the Partnership invests in interest-bearing financial instruments. The Partnership is exposed to the risk that the value of such financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. There is minimal sensitivity to interest rate fluctuations on any cash and cash equivalents invested at short-term market interest rates.

(ii) Other price risk:

Other price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).

KOOTENAY ENERGY RSP FUND

Notes to Financial Statements (continued)

Period from January 17, 2013 (date of commencement of operations)
to December 31, 2013

5. Financial instruments (continued):

All investments represent a risk of loss of capital. The Manager aims to moderate this risk through careful selection and diversification of securities and other financial instruments in accordance with the Partnership's investment objective and strategy. Except for written options and securities sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from written options and securities sold short can be unlimited. The Partnership's overall market positions are monitored on a regular basis by the Manager. Financial instruments held by the Partnership are susceptible to market price risk arising from uncertainties about future prices of the instruments.

Refer to the financial statements of the Partnership, as attached, for its exposures to other price risk at December 31, 2013.

(iii) Currency risk:

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Currency risk arises from financial instruments (including cash and cash equivalents) that are denominated in a currency other than the Canadian dollar, which represents the functional currency of the Fund.

Refer to the financial statements of the Partnership, as attached, for its exposures to currency risk at December 31, 2013.

6. Redemptions payable:

Redemptions payable consist of redemption orders received before December 31, 2013 that were settled subsequent to the year end.

KOOTENAY ENERGY RSP FUND

Notes to Financial Statements (continued)

Period from January 17, 2013 (date of commencement of operations)
to December 31, 2013

7. Income tax:

The Trust qualifies as a mutual fund trust under the provisions of the Income Tax Act (Canada) and, accordingly, is not subject to tax on its net taxable income for the year which ends in December, including net realized capital gains, which is paid or payable to its unitholders as at the end of the tax year. However, such part of the Trust's net income and net realized capital gains that is not so paid or payable, is subject to income tax. Income tax on net realized capital gains not paid or payable is generally recoverable by virtue of refunding provisions contained in tax legislation, as redemptions. It is the intention of the Trust to distribute all of its income and sufficient net realized capital gains so that the Trust will not be subject to income tax.

Non-capital losses are available to be carried forward for 20 years and applied against future taxable income. Net capital losses for income tax purposes may be carried forward indefinitely and applied against future capital gains.

As at tax year ended December 31, 2013, the Trust has no capital losses carried forward and non-capital losses carried forward of \$131,433 for income tax purposes.

CERTIFICATE

Dated April 23, 2014

This Offering Memorandum does not contain a Misrepresentation.

**THE KOOTENAY ENERGY RSP FUND
by its Manager, Kootenay Capital Management Corp.**

(signed) "*Christopher Theal*"

(signed) "*Leon Knight*"

Christopher Theal
President, CEO & CIO of the Manager

Leon Knight
Managing Director and COO of the Manager

**On behalf of the Trustee,
VALIANT TRUST COMPANY, by the Manager**

(signed) "*Christopher Theal*"

(signed) "*Leon Knight*"

Christopher Theal
President, CEO & CIO of the Manager

Leon Knight
Managing Director and COO of the Manager

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