

**Rayne Capital Management Inc.**  
**RELATIONSHIP DISCLOSURE INFORMATION**  
**(FOR EXEMPT MARKET DEALER CLIENTS)**  
**March 31, 2014**

**Contents:**

1.	PURPOSE.....	3
2.	AN OVERVIEW OF RAYNE CAPITAL MANAGEMENT INC. ....	3
3.	THE PRODUCTS AND SERVICES WE OFFER.....	3
4.	DELIVERY OF DISCLOSURE.....	3
5.	YOUR ACCOUNTS WITH US .....	3
6.	THE COSTS ASSOCIATED WITH YOUR ACCOUNTS.....	4
7.	THE COSTS OF MAKING, HOLDING AND SELLING INVESTMENTS .....	4
8.	COMPENSATION PAID TO US .....	4
9.	RISKS TO CONSIDER WHEN MAKING AN INVESTMENT DECISION .....	4
10.	RISK OF USING BORROWED MONEY TO FINANCE AN INVESTMENT .....	5
11.	FAIR ALLOCATION OF INVESTMENT OPPORTUNITIES.....	5
12.	REFERRAL ARRANGEMENTS .....	5
13.	CONFLICTS OF INTEREST .....	5
14.	OUR TRADING AND BROKERAGE PRACTICES .....	7
15.	COMPLAINTS AND DISPUTE RESOLUTION .....	7
16.	YOUR RELATIONSHIP WITH US.....	7

## 1. PURPOSE

This document sets out important information concerning our relationship with you, a client that is purchasing securities of Rayne Capital Opportunities Fund LP or other investment funds which we may create and manage in the future (collectively, “**our funds**”) directly from us. Other important information you need to know about your relationship with us is contained in other documents that are provided to you as a client, such as any subscription agreement that you complete if you subscribe for securities of our funds or other disclosure document that you receive if you purchase securities of our funds, and the account opening forms, periodic account statements and updates about changes to information that will be provided to you from time to time.

## 2. AN OVERVIEW OF RAYNE CAPITAL MANAGEMENT INC.

Rayne Capital Management Inc. is registered as a portfolio manager and an investment fund manager in Alberta, and as an exempt market dealer in Alberta and Ontario.

We are a portfolio management company and investment fund manager with an office in Calgary, Alberta. Rayne Capital Management Inc. is controlled by Robert McFarlane and James Anderson.

## 3. THE PRODUCTS AND SERVICES WE OFFER

We offer investment management services through investment funds created and managed by us.

We also act as an investment fund manager for investment funds created and advised by us.

As an exempt market dealer, we offer trading services to clients who purchase securities of our funds directly from us. As an exempt market dealer, we are only permitted to trade in securities distributed under a prospectus exemption (for example, to “accredited investors” within the meaning of applicable securities laws), or that are distributed under a prospectus but in transactions for which a prospectus exemption is available but not relied upon.

The investment funds created, managed and advised by us (defined above as “**our funds**”) are described on our website at [www.raynecapital.com](http://www.raynecapital.com)

## 4. DELIVERY OF DISCLOSURE

This document will be provided to you at the time you open your account(s) with us or before we begin providing advice or trading services to you. If there is a significant change to the information contained in this document, we will provide you with updated information in a timely manner and, if possible, before we next provide advice or trading services to you.

## 5. YOUR ACCOUNTS WITH US

**Account agreement documentation:** Specific information about the account(s) you have with us is contained in the following documents:

*For clients purchasing securities of our funds directly from us* – in the account opening forms that you complete, the subscription agreement that you complete, or other disclosure document that you receive, and the periodic account statements and updates about changes to information that will be provided to you from time to time.

In addition, the information referred to as know-your-client (“**KYC**”) information (such as information necessary to establish your identity and information regarding your investment needs, financial circumstances and risk tolerance), which we are required to collect under applicable securities laws, can be found in the above documents applicable to your account(s) with us.

**Account statements:** We will provide statements to you about your accounts as follows:

*For clients purchasing securities of our funds directly from us* – you will receive a monthly statement.

The statements that we provide to you will contain:

- (1) Information about each transaction conducted for you during the time period covered by the statement; and
- (2) Information about each security and any cash held in your account at the end of the time period covered by the statement.

**Trade confirmations:** We will promptly deliver to you, or if you consent in writing, to a registered adviser acting for you, a written confirmation of a trade where we have acted on your behalf in connection with a purchase or sale of a security. A trade confirmation delivered to you will include certain transaction information such as the quantity and description of the security, the price paid or received by you, the commission, sales charge or any other amount charged, the name of the dealing representative and the settlement date of the transaction.

For greater certainty, the account statements and trade confirmations described above will relate to transactions in securities of our funds purchased directly from us and not to portfolio transactions within the funds.

**Obligation to assess suitability:** As an exempt market dealer, we have an obligation to you to assess whether a purchase or sale of a security is suitable for you prior to making a recommendation to or accepting instructions from you. To meet this suitability obligation, we collect KYC information from you at the time you open an account with us and we update this information on a periodic basis, and we are knowledgeable about the products that we buy and sell for, or recommend to, you. These requirements do not apply to clients who are registered firms, Canadian financial institutions or Schedule III banks, or to clients who qualify as "permitted clients" under applicable securities laws and have waived these requirements in writing.

## **6. THE COSTS ASSOCIATED WITH YOUR ACCOUNTS**

The costs associated with the operation of your account(s) with us are described in the documents described above (see section 5 of this document) that are applicable to your account(s).

## **7. THE COSTS OF MAKING, HOLDING AND SELLING INVESTMENTS**

The costs associated with making, holding and selling investments through your account(s) are described in the documents described above (see section 5 of this document) that are applicable to your account(s).

## **8. COMPENSATION PAID TO US**

The compensation paid to us in relation to our funds that you may purchase through your account(s) or the services we provide to you, are described in the documents described above (see section 5 of this document) that are applicable to your account(s).

## **9. RISKS TO CONSIDER WHEN MAKING AN INVESTMENT DECISION**

Securities laws require us to provide all clients with a description of risks that you should consider when making an investment decision, even where clients have retained us to make investment decisions on their behalf. This information is set out below.

You should carefully consider whether an investment is appropriate for you in light of your experience, objectives, financial resources and other relevant circumstances. You should understand the nature of the investment and the extent of your exposure to risk. Depending on the nature of your investment, the type of investment risk will vary. Investment risks include:

Capital risk – the risk you may lose the money you invest.

Liquidity risk – the risk that your investment may not be readily saleable.

Currency risk – the risk that currency movements alone may affect the value of your investment if it is held in another currency.

Interest rate risk – the risk that the principal of a debt instrument that you've invested in will go up or down as the interest rates in the economy go up and down.

Business risk – the risk inherent in the operations of the entity or industry in which you have invested.

Financial risk – the risk associated with the amount of leverage or debt that the entity in which you have invested used to finance assets.

The risks associated with an investment in our funds are described in the disclosure documents that you receive from us.

#### **10. RISK OF USING BORROWED MONEY TO FINANCE AN INVESTMENT**

We do not lend money, extend credit or provide margin to our clients.

If at any time we recommend to you that you use borrowed money to finance any part of a purchase of a security, we are required to advise you that using borrowed money to finance the purchase of securities involves greater risk than a purchase using cash resources only. If you borrow money to purchase securities, your responsibility to repay the loan and pay interest as required by its terms remains the same even if the value of the securities purchased declines.

#### **11. FAIR ALLOCATION OF INVESTMENT OPPORTUNITIES**

The size and mandate of our funds, and any other accounts managed by us from time to time, differ and the portfolios are not identical. As a consequence, we may purchase or sell a security for one account prior to other accounts. This could occur, for example, as a result of the specific investment objectives of the account, different cash resources arising from contributions or withdrawals, or the purchase of a small position to assess the overall investment desirability of a security. If the availability of any particular security is limited and that security is appropriate for the investment objective of one or more other accounts, any purchase of that security will be allocated on an equitable basis in accordance with our Fair Allocation Policy. A copy of our Fair Allocation Policy is available upon request.

#### **12. REFERRAL ARRANGEMENTS**

We may enter into referral arrangements from time to time pursuant to which another party refers clients to us for which we pay a referral fee, or we refer clients to another party and receive a referral fee. The details of these referral arrangements, including the parties to the referral arrangement, the manner in which the referral fee for referral services is calculated and the party to whom it is paid, will be provided to you in writing when required.

#### **13. CONFLICTS OF INTEREST**

Under applicable securities legislation, we are required to identify material conflicts of interest which we expect to arise between us (including any individual acting on our behalf) and our clients. Further, if a reasonable investor would expect to be informed of the nature and extent of an identified conflict, we must do so.

Throughout this document we have identified and described conflicts of interest that we believe are relevant to you as a client that is purchasing securities of our funds directly from us; additional conflicts of interest related to our funds will be disclosed in the disclosure documents of the applicable fund.

We seek to avoid or minimize conflicts where reasonably possible. However, some conflicts cannot be avoided and in certain circumstances, although others could be avoided, we have chosen to manage the conflicts. We have policies and procedures in place to manage the conflicts of interest that we believe are sufficient to protect the interests of our clients and fulfill our obligations to our clients. The following are some of the more significant conflicts of interest that may affect the services we provide to you.

### **13.1 Related and Connected Issuers**

An issuer of securities is "related" to us if, through ownership, or direction and control over voting securities, we exercise a controlling influence over that issuer or that issuer exercises a controlling influence over us or the same third party exercises a controlling influence over both us and the issuer. An issuer is "connected" to us if due to indebtedness or other relationships, a reasonable prospective purchaser might question if that issuer and we are independent of each other.

In carrying on business as a portfolio manager or an exempt market dealer, we may with respect to securities of related issuers, and in the course of a distribution, securities of connected issuers of us:

- (a) exercise discretionary authority to buy or sell these securities for your accounts;
- (b) make recommendations regarding these securities to you; and
- (c) sell securities issued by pooled funds, or other similar collective investment vehicles, established, managed and distributed by us to clients.

These services will be carried on by us in the ordinary course of our business in accordance with our usual practices and procedures, and in accordance with all applicable disclosure and other regulatory requirements. It is our policy to comply fully with all applicable securities laws and to make all required disclosures.

In most cases, the connection to the funds we sell will be obvious to you because the names of the funds will be sufficiently similar to our name. For example, most of our funds will include the word "Rayne Capital" as part of their name or this name will be included in the fund's disclosure documents. If we believe that the name of any fund is not similar enough to convey the fund's relationship to us, we will provide you with specific disclosure regarding that relationship at the appropriate time.

Any related issuers or connected issuers that we have from time to time will be listed on our website at [www.raynecapital.com](http://www.raynecapital.com).

### **13.2 Personal Trading Activities**

We have a Code of Ethics for Personal Trading, which sets out certain expected standards of conduct of our employees, officers and directors and includes restrictions and controls on personal trading of our employees, officers and directors. The Code of Ethics is designed to ensure the fair treatment of our clients through the highest standards of integrity and ethical business conduct by all of our employees, officers and directors, and in particular to ensure that they act in accordance with applicable Canadian securities laws and other applicable laws, that they act in the best interests of Rayne Capital Management Inc. and our clients, avoid actual or potential conflicts of interest, and do not engage in personal securities transactions that are prohibited by law, such as insider trading, or that negatively impact our clients.

Each of our employees, officers and directors are required to put the interests of our clients first, ahead of their own personal self-interests. In particular, any individual who has, or is able to obtain access to, non-public information concerning the portfolio holdings, the trading activities or the ongoing investment programs of our funds, is prohibited from using such information for his or her direct or indirect personal benefit or in a manner which would not be in the best interests of our clients. These individuals also must not use their position to obtain special treatment or investment opportunities not generally available to our clients or the public. These individuals are only allowed to make a personal trade if it falls within a general exception in our personal trading policy or if our Chief Compliance Officer has determined that such trade will not conflict with the best interest of our clients. We encourage our

employees, officers and directors to invest primarily through our funds, thereby reducing the amount of their personal investments and consequently, reducing the likelihood of a conflict of interest arising between us and our clients.

### **13.3 Outside Activities**

Individuals acting on behalf of us are prohibited from engaging in any outside activity, including acting as a director, which could interfere with the proper discharge of the individual's duties to us and our clients.

## **14. OUR TRADING AND BROKERAGE PRACTICES**

We use third party dealers to execute trades on behalf of clients, but we also may have many other relationships with them. It is possible that we may be biased in our selection of dealers based on these relationships, or by certain incentives offered by some dealers. This may result in the commissions paid by our clients being somewhat higher than those that might be charged by different dealers. However, we will endeavour to select dealers to execute trades on behalf of our clients based on their quality of research and ability to execute trades, and will do so in accordance with our Broker Selection (Best Execution) Policy. A copy of our Broker Selection (Best Execution) Policy is available upon request.

## **15. COMPLAINTS AND DISPUTE RESOLUTION**

We will document and respond to any complaint made to us about any product or service offered by us or a representative of our firm.

In addition, we will ensure that independent dispute resolution or mediation services are made available to you, at our expense, to resolve any complaint made by you in connection with your account(s) or the services we provide to you in connection with your account(s) or any other trading or advising activity by us or our representatives. Information about these services is available upon request.

## **16. YOUR RELATIONSHIP WITH US**

It is important that you actively participate in our relationship. In particular, we encourage you to:

- Keep us fully and accurately informed regarding your personal circumstances, and promptly advise us of any change to information that could reasonably result in a change to the types of investments appropriate for you, such as a change to your income, investment objectives, risk tolerance, time horizon or net worth.
- Review the documentation and other information we provide to you regarding your account, transactions conducted on your behalf and the holdings in your portfolio.
- Ask questions of and request information from us to address any questions you have about your account, transactions conducted on your behalf or the holdings in your portfolio, or your relationship with us or anyone acting on our behalf.