

Rayne Capital Management Inc.
RELATIONSHIP DISCLOSURE INFORMATION
(FOR EXEMPT MARKET DEALER CLIENTS)
November 26, 2018

1. PURPOSE

This document sets out important information concerning our relationship with you, a client that is purchasing securities of Rayne Capital LP, Rayne Capital Opportunities Trust, Rayne Energy 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 the subscription agreement that you complete if you subscribe for securities of our funds, any offering memorandum, term sheet or other disclosure document that you receive describing the fund(s) you are purchasing, and the account opening forms, periodic account statements, reports 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 a portfolio management company and investment fund manager with an office in Calgary, Alberta. We are indirectly owned by the members of our senior management team.

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

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).

Information about the investment funds created, managed and advised by us (defined above as "our funds") is available upon request by calling us at 403-263-1991 or e-mailing us at info@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:

In the account opening forms and subscription agreement that you complete, any disclosure document that you receive, and the periodic account statements, reports 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, which we are required to collect under applicable securities laws (and described further below), 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:

Statements are issued monthly for Rayne Capital LP and Rayne Capital Opportunities Trust, and quarterly for Rayne Energy LP, Rayne Capital Energy LP, and Rayne Capital Energy Fund LP.

The statements that we provide to you will contain:

- (i) information about each transaction conducted for you during the time period covered by the statement; and
- (ii) 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, 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. The delivery of the trade confirmation information described above may also be contained in the account statements provided to you.

Investment performance reports

We will provide investment performance reports to you about your account(s) every 12 months, except that the first performance report(s) that we provide you in respect of your account(s) may be sent within 24 months after we first make a trade for you. Each investment performance report that we provide to you will contain information about:

- (i) the market value of cash and securities in your account at the beginning and end of the period covered by the report;
- (ii) the changes in the market value of cash and securities in your account over the period covered by the report and since your account was opened; and
- (iii) the annualized total percentage return for your account over one, three, five and ten years periods and since your account was opened. Total percentage return represents gains and losses of an investment over a specified period of time, including realized and unrealized capital gains and losses plus income, expressed as a percentage.

Unless otherwise agreed, we will provide a separate investment performance report to you containing this information for each of your accounts with us.

If you are a "permitted client" within the meaning of applicable securities laws that is not an individual, we are not required to provide this report but may do so in our discretion.

Reports on charges and other compensation

We will provide you with reports on the charges and other compensation that we receive in respect of your account(s) every 12 months, except that the first report(s) that we provide to you in respect of your account(s) may be for a period of less than 12 months. Each report will provide information about applicable operating charges and transaction charges and certain compensation we may have received from third parties. For example, the report will set out any trailing commissions we received during the period in respect of investments held in your account. We will only send you this report if there are charges or compensation to report.

If there are charges or compensation to report, we will provide you with a separate report for each of your accounts with us. However, we can provide a single report to you, consolidating this information for each of your accounts, provided that you give us consent in writing to do this.

If you are a "permitted client" within the meaning of applicable securities laws that is not an individual, we are not required to provide this report but may do so in our discretion.

Performance benchmarks

An investment performance benchmark is a standard against which the performance of your investments is compared. We may use investment performance benchmarks to assess the performance of your investments and to allow you to assess their performance against an index of securities reasonably reflective of the composition of your investment portfolio. When comparing your investment returns to the returns of an investment performance benchmark, keep in mind that:

- (i) the composition of your investment portfolio reflects the investment strategy you have agreed upon, resulting in the composition of the investment performance benchmark differing; and
- (ii) investment performance benchmarks do not generally include charges and other expenses.

You can obtain further information about investment performance benchmarks from us upon request.

Information required to comply with "know-your-client" obligations

When you open your account with us, we are generally required by securities laws to take reasonable steps to: (1) establish your identity, (2) establish whether you are an insider of any reporting issuer or issuer whose securities are publicly traded, and (3) ensure that we have sufficient information regarding your personal circumstances, investment needs and objectives, financial circumstances and level of risk tolerance to enable us to meet our suitability obligations described below. Generally, this information will include your age, annual income, net worth, investment knowledge and experience, investment objectives, investment timeframe and tolerance for risk. In addition, in certain circumstances, we may also be required to make enquiries as to your reputation. For certain clients, our know-your-client obligations may not apply or may be waived. When required, this information is requested from you upon account opening and we will request updated information from you periodically.

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 "know-your-client" 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.

Custody of assets

When you invest in one of our funds, no certificates representing the securities you purchase will be issued. Instead, your ownership is recorded on the register of investors for the fund by us, as manager of the fund, or by a fund administrator we appoint.

6. TD Securities Inc., Toronto, Ontario, in its capacity as prime broker, maintain custody of the assets of the funds. It is our policy not to maintain custody of (or otherwise hold) securities or other assets (including cash) of our funds or our other clients. **COSTS ASSOCIATED WITH YOUR ACCOUNTS**

We do not currently charge clients any amounts in respect of the operation, transfer or termination of their account(s) with us. These types of charges are referred to as "operating charges". If we decide to impose any operating charges, we will advise you at the time you open your account(s) in the documents described above under the heading "Account agreement documentation" that are applicable to your account(s). After you have opened your account(s), we will provide you with at least 60 days' written notice before we impose any new or increased operating charges.

If you purchase securities of our funds, you will indirectly bear the fees and expenses borne by those funds, including the compensation or allocation of profits described below under "Compensation Paid to Us" and the expenses borne by the fund(s) you have invested in as described in the applicable trust agreement or limited partnership agreement for each fund.

7. COSTS OF MAKING, HOLDING AND SELLING INVESTMENTS

We do not currently charge clients commissions, short-term trading fees, redemption charges or other amounts in connection with the purchase or sale of securities through their account(s) with us. These types of charges are referred to as "transaction charges". If we decide to impose transaction charges, the charges applicable to securities purchased by you will be disclosed in the subscription agreement or other documentation that you complete or receive prior to completion of the transaction and in the periodic account statements that you receive.

If you purchase securities of our funds, you will indirectly bear the expenses borne by the funds you have invested in as described in the applicable trust agreement or limited partnership agreement for each fund.

8. COMPENSATION PAID TO US

As compensation for providing services to the Rayne Capital Opportunities Trust, we receive a management fee and a performance fee. In addition, as the general partner and the Managing Partner of Rayne Capital LP, Rayne Energy LP, Rayne Capital Energy LP and Rayne Capital Energy Fund LP, we and our affiliated companies receive allocations of the net profits of the funds. These fees and profit allocations are described in the applicable trust agreement or limited partnership agreement for each fund.

9. PRE-TRADE DISCLOSURE OF CHARGES

There are no charges payable to us in respect of the purchase, sale or redemption of securities of our funds and no trailing commissions payable to us in respect of securities of our funds. However, in the event that there were any charges payable by you in connection with the purchase or sale of securities through your account(s) or we would receive any trailing commission in respect of securities purchased through your account(s), we would disclose information about those charges or commissions to you, either orally or in writing, before accepting trade instructions from you.

10. 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. Please note that this information is not exhaustive and has been provided to give you an indication of the general risk factors. 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:

Market risk – the risk that your investment in securities traded on a stock exchange or other public market may be affected by general changes in the market.

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.

Risks related to investing in exempt market securities and our funds – including the absence of daily liquidity (redemptions are only available at month-ends), the products do not have the same disclosure obligations as publicly traded securities, there is no investor protection fund, and the potential conflict of interest when the dealer and fund manager are related.

Concentration risk – the risk of investing a large proportion of assets in securities issued by one issuer, in a single asset class or in a single sector. When a portfolio or fund is not adequately diversified, it could experience greater volatility and may be strongly affected by changes in the market value of these securities.

Risk of Derivatives – Rayne employs the use of derivatives as part of its trading strategy. Derivative products are highly specialized instruments that require investment techniques and risk analyses which may differ from traditional investments. In general, derivatives are subject to a number of risks, such as interest rate risk and market risk. They also involve the risk that changes in the value of the derivative may not correlate perfectly with the underlying reference security and the risk that the counterparty may not honour its obligation. Derivatives can be highly illiquid and depending on the strategy, the use of derivatives could result in a loss of more than the principal amount invested.

Where an offering memorandum, term sheet or other disclosure document is available for our funds, the specific risks associated with an investment in our funds will be described in the disclosure document that you receive. For example, in relation to Rayne Capital Opportunities Fund LP, Rayne Capital LP and Rayne Energy Fund LP the information is set out in an attachment to the subscription agreement you will complete to purchase securities of these funds.

11. RISK OF USING BORROWED MONEY TO FINANCE AN INVESTMENT

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

When you use borrowed money to purchase a security or make other investments that investment is subject to certain additional risks. You may purchase securities using available cash, or a combination of available cash and borrowed money. If you use available cash to pay for the securities in full, the percentage gain or loss will equal the percentage increase or decrease in the value of the securities. Using borrowed money to purchase securities can magnify the gain or loss on the cash invested. The effect of this is called "leveraging".

If you are considering borrowing money to purchase securities, you should be aware that a leveraged purchase involves greater risk than a purchase using available cash resources only. To what extent a leveraged purchase involves undue risk is a decision that needs to be made by you and will vary depending on your personal circumstances. In particular, you should be aware of the terms of any loan that is secured by the securities. The lender may require that the amount outstanding on the loan does not rise above an agreed percentage of the market value of the securities. Should this occur, you may be required to pay down the loan or sell the securities so as to return the loan to the agreed percentage relationship. Money is also required to pay interest on the loan. Under these circumstances, investors who leverage their investments are advised to have adequate financial resources available both to pay interest and also to reduce the loan if borrowing arrangements require such a payment.

12. 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.

13. 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. All services resulting from a referral arrangement relating to your account(s) which require registration under applicable securities legislation will be provided by the registrant receiving the referral.

14. 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.

In this document, we have identified and described certain 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 may be disclosed in any disclosure document that we provide to you in relation to 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.

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.

We may provide you with advice or services related to the purchase or sale of securities of our funds or other issuers that are related or connected to us. In most cases, our connection to such funds or other issuers will be obvious to you because their names will be sufficiently similar to our name. For example, the names of such funds or other issuers will generally include the words "Rayne" or "Rayne Capital". Our currently list of related and connected issuers includes:

- Rayne Capital LP
- Rayne Capital Opportunities Trust
- Rayne Energy LP
- Rayne Capital Energy LP (closed to investment)
- Rayne Capital Energy Fund LP (closed to investment)

If we believe that the name of any fund or other issuer is not similar enough to convey the fund's or other issuer's relationship to us, we will provide you with specific disclosure regarding that relationship at the appropriate time. We will only engage in these types of transactions or arrangements where they are permitted under applicable securities laws and by applicable securities regulatory authorities, and where we believe they are in your best interests.

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.

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.

15. 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.

16. TAX INFORMATION

Under Part XVIII of the *Income Tax Act* (Canada) and the proposed Part XIX of the *Income Tax Act* (Canada), we are required to identify certain clients that have a connection to foreign jurisdictions, and are required to report information about those clients to the Canada Revenue Agency (the "**CRA**"). The CRA will provide the information to the tax authorities in the relevant foreign jurisdiction if the foreign government has entered into an agreement with Canada for the exchange of financial information. In order to comply with these requirements, we will collect certain information from you at the time you open your account and at other times as needed.

17. CANADIAN ANTI-SPAM LEGISLATION

Under Canada's anti-spam legislation, we are required to obtain your consent to send you emails and other commercial electronic messages. We will generally seek this consent from you at the time you open your account(s). You may withdraw your consent at any time by unsubscribing through the link included in the communications we send to you.

18. COMPLAINTS AND DISPUTE RESOLUTION

We have certain obligations if we receive a complaint from you relating to trading or advising activities provided by us or a representative of our firm. If we receive such a complaint, we will provide you with a written acknowledgement of the complaint containing the following information:

- (i) a description of our obligations relating to complaints and dispute resolution;
- (ii) the steps that you are required to take in order for an independent dispute resolution or mediation service to be made available to you; and

- (iii) if applicable, the name of the independent dispute resolution or mediation service that will be made available to you and contact information for the service.

In addition, if we decide to reject a complaint or to make an offer to resolve a complaint, we will provide you with written notice of that decision.

We will make an independent dispute resolution or mediation service available to you at our expense if:

- (i) after 90 days of our receipt of the complaint, we have not given you written notice of our decision in respect of the complaint and you have notified the independent dispute resolution or mediation service specified by us that you wish to have the complaint considered by the service; or
- (ii) within 180 days of your receipt of written notice of our decision in respect of the complaint, you have notified the independent dispute resolution or mediation service specified by us that you wish to have the complaint considered by the service.

There are limitations on your ability to have a complaint resolved at our expense by an independent dispute resolution or mediation service. We are only required to follow this procedure if the complaint is received by us within six years of the day when you first knew or reasonably ought to have known of an act or omission that is a cause of or contributed to the complaint. Also, you must agree that, for the purpose of the independent service's consideration of the complaint, the amount claimed (if any) will be no greater than \$350,000.

We may follow other procedures in relation to a complaint made by a "permitted client" within the meaning of applicable securities laws that is not an individual.

19. 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.