



Ravensource Fund Independent Review Committee 2013 Report to Securityholders

Dear Securityholder,

In response to National Instrument 81-107 and to provide an arms-length vehicle to deal with matters that involve potential conflicts of interest between the Ravensource Fund and the Investment Manager – Stornoway Portfolio Management Inc. – the Ravensource Fund established and maintains an Independent Review Committee (“IRC”).

Under NI 81-107, the IRC reviews potential conflicts of interests referred to us by the Investment Manager and makes approvals and recommendations on whether a course of action achieves a fair and reasonable result for the Ravensource Fund. The scope of our review will include whether the policies and procedures of the Investment Manager related to conflicts of interest is effective and adequate.

We are pleased to continue to serve the interests of the Funds and to publish the annual report to securityholders of the Ravensource Fund that describes the mandate of the IRC and its activities for the financial year ending December 31st, 2013.

Michael Siskind

Chair of the Ravensource Fund Independent Review Committee
February 28, 2014

RavenSource Independent Review Committee 2013 Report to Securityholders

The Independent Review Committee (IRC) for RavenSource Fund (the “Fund” or “RavenSource”) annually reports to the security holders its activities for each financial year. The IRC held its annual meeting on November 28th, 2013 and the following report summarizes the activities of the IRC in 2013.

Members of the Independent Review Committee

- Michael Siskind (Chair)
- Michael Gardiner
- David Magahey

The committee has reviewed, and is satisfied with the independence of its members, the compensation of the members, and the effectiveness of the committee. There were no changes to the composition of the IRC in 2013.

Ownership of securities by IRC Members

In the Fund

As at December 31, 2013, the members of the IRC did not beneficially own, directly or indirectly, in aggregate above ten (10%) per cent of the units in any series or class of the Fund.

In the Investment Manager

As at December 31, 2013, none of the members of the IRC beneficially owned, directly or indirectly, any securities of the Investment Manager.

In any service provider

As at December 31, 2013, Mr. Michael Gardiner beneficially owned 13,600 common shares of Bank of Montreal and Mr. David Magahey beneficially owned 180 common shares of Bank of Montreal. Bank of Montreal provides Prime Brokerage and custodial services for the Fund.

None of the members of the IRC beneficially owned, directly or indirectly, any securities of a person or company providing services to the Fund or to Stornoway Portfolio Management Inc. (the “Manager”), the Investment Manager of the Fund, other than noted above.

Compensation and Indemnities

Compensation for members of the IRC is comprised of an annual retainer of \$1,600 plus an additional \$600 per meeting for any additional meetings other than the annual meeting that occur during the year. In addition, the Chair of the IRC receives an additional \$1,000 per annum. During 2013, there was one meeting of the IRC in addition to the annual meeting. The aggregate compensation paid to the IRC by the Fund for 2013 was \$7,600 up from \$5,600 in 2012.

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At least annually, the IRC will review its compensation, giving consideration to the following:

1. the best interests of the Fund and its securityholders;
2. the nature and complexity of the Fund;
3. the nature and extent of the workload of each member of the IRC, including the commitment of time and energy of each member; and
4. industry best practices, including industry averages and surveys on compensation paid to the IRCs of Canadian investment funds.

For 2013, the IRC has deemed that the existing level of compensation is fair and reasonable.

Conflicts of Interest

The IRC discussed the Fund's investment in Specialty Foods Group ("SFG"). Mr. Reid, President of Ravensource's Investment Manager, Stornoway Portfolio Management Inc. ("Stornoway"), is on the board of directors of SFG. Both Ravensource and another investment fund that Stornoway manages have investments in Specialty Foods Group in the form of equity warrants. The IRC is satisfied that no conflict exists for the investment.

In 2012, the Investment Manager informed the IRC that it had asked to provide, among other things, strategic advice and analysis in exchange for a fee (the "SFG Services Agreement") with SFG, one of the Fund's investee companies. To address such situations, the Investment Manager has an internal policy termed Conflicts of Interest re Services to and Fee Revenue from Investees (the "**Policy**"). The Policy requires the Investment Manager to pass along the benefit of all fees received from the investee companies to the Fund by the way of reducing / waiving an equivalent amount of fees that the Investment Manager charges the Fund. At a meeting of the IRC in 2012, it was determined that in the IRC's opinion that the Investment Manager's Policy will achieve a fair and reasonable result for the Fund in such situations and will ensure that the interests of the Investment Manager are aligned with those of the Fund. At the 2013 IRC annual meeting, the Investment Manager reported that it had waived Ravensource's management fees by \$59,775 and reduced administrative fees by \$32,225, which fees and costs would have been subject to HST. Therefore, the total impact of the fee reductions amounted to \$103,960 inclusive of HST to offset the fees the Investment Manager earned from SFG Services Agreement. The Investment Manager will continue to reduce the management fee and administrative fees accordingly for so long as Ravensource is invested in SFG securities and the Investment Manager continues to receive fees under the services agreement with SFG.

In September 2013, the Investment Manager reviewed the Fund's audit role that had been performed by Deloitte LLP in the past. Ravensource has not received modified opinions in the former auditor's reports for the audits of Ravensource's previous fiscal years nor have there been any reportable events as defined in National Instrument 51-102. This review led to the decision to interview several accounting firms that specialize in investment funds. After the careful consideration of several proposals, the Investment Manager recommended that the Fund appoint KPMG as auditor of the Ravensource for fiscal year ending December 31, 2013 rather than re-

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appoint Deloitte LLP. The recommendation was presented to the IRC for review to ensure that it did not pose a conflict of interest. On review, the IRC deemed the recommendation and appointment of KPMG free of conflicts of interest, after which, the recommendation was presented to and was approved by the Fund's Trustee, Computershare Trust Company. After receiving the necessary approvals, KPMG was retained to audit RavenSource for fiscal 2013. Notice was given to unitholders of the appointment of KPMG through a Change of Auditor Notice that was published on SEDAR and on the RavenSource Fund website.

For the period ending December 31st, 2013, the IRC is not aware of any instance where the Investment Manager acted in a conflict of interest matter referred to the IRC, that was contrary to the IRC' recommendation.

The IRC is required to report to the OSC any instance where the Investment Manager did not meet a condition imposed by the IRC in its recommendation or approval. We report that no such situation existed in 2013.

Standing Instructions

The IRC has issued standing instructions to the Investment Manager that requires it to comply with all of its policies and procedures in respect to the conflict of interest matters, and to report to the IRC as to its compliance thereof. The standing instructions require the Investment Manager to comply with the following policies and procedures:

- The Investment Committee – Ethical Chinese Walls
- Statement of Policies on Related Registrants and Connected Issuers
- Privacy Policy
- Fairness in Allocation Policy
- Complaints Process
- Investment Decision Process
- Trading Process – Order Execution
- Trading Process – Trade Dispute Resolution Process
- NAV Calculation – Error Correction Policy
- Trading Process – Best Order Execution
- Net Asset Value and Performance Calculation Policy
- Personal Trading Policy
- Restricted Trading Policy
- Proxy Voting Process
- Soft Dollar and Commission Policy
- Early Warning and Insider Reporting Policy
- Referral Arrangements Policy
- Selection and Oversight of Third Party Service Providers Policy
- Conflicts of Interest Policy
- Conflicts of Interest re Services to and Fee Revenue from Investees

For the period ending December 31st, 2013, the IRC, relying upon the representations of the Investment Manager, was not aware of any instance in which the Investment Manager acted contrary to any conditions imposed by the IRC in its standing instructions.