



March 28, 2012

Dear Unitholder:

The Independent Review Committee ("IRC") for the Ridgewood Funds was established pursuant to National Instrument 81-107 – *Independent Review Committee for investment Funds* ("NI 81-107").

The primary role of the IRC is to review conflict of interest matters identified and referred to it by the Manager. NI 81-107 defines what constitutes a "conflict of interest matter", and it includes a situation where a reasonable person would consider the Manager or an entity related to it to have an interest that may conflict with the Manager's ability to act in good faith and in the best interests of the Funds.

During the year ending December 31, 2011, the members have been fully satisfied with the open and cooperative attitude of the Manager. The members of the IRC look forward to maintaining the highest level of cooperation and to continuing to carry out its mandate to ensure that the best interests of the Funds are paramount when the Manager is faced with a conflict of interest matter. In any instance where a conflict of interest is identified the IRC must determine if the manager's proposed action achieves a fair and reasonable result for the fund.

The IRC in fulfilling its annual obligations reviewed its charter, the policy and procedures relating to conflict of interests and conducted a self-assessment and review of its compensation.

The following represents our report to unitholders for the year ended December 31, 2011 and is respectfully submitted by your IRC.

A handwritten signature in black ink, appearing to read "G. Tomlinson Gunn".

G. Tomlinson Gunn
Chair of the Independent Review Committee



Independent Review Committee Report to Unitholders

Reporting Period

The members of the Independent Review Committee (the “**IRC**”) for the Ridgewood Funds (the “**Funds**”) were appointed by the manager, Ridgewood Capital Asset Management Inc. (the “**Manager**”). The IRC also acts for other funds managed by the Manager (collectively with the Fund, the “**Ridgewood Funds**”). The IRC became operational on September 1, 2008.

Unless otherwise stated, the information in this report covers the year ending December 31, 2011.

Members of the IRC

The following individuals are members of the IRC:

<u>Name</u>	<u>Residence</u>	<u>Commencement of Service</u>	<u>Member of Other Independent Review Committees</u>
G. Tomlinson Gunn ¹	Toronto, Ontario	September 1, 2008	No
Allen B. Clarke	Toronto, Ontario	September 1, 2008	Yes
Marshall E. Nicholishen	Mississauga, Ontario	September 1, 2008	No

¹ Chair of the IRC

Mr. Clarke also serves as a member of the IRC for the publicly offered mutual funds managed by BMO Mutual Funds, BMO Harris Investment Management Inc., BMO Nesbitt Burns Inc., Guardian Group of Funds Ltd. and EnerVest Funds.

The members have concluded that they have no material relationship with the Funds, the Manager or any person or company related to the Manager that could reasonably be perceived to interfere with any member’s judgment regarding a conflict of interest matter.

Holdings of Securities

Funds

As at December 31, 2011, the percentage of securities of the Funds beneficially owned, directly or indirectly, in aggregate, by all members of the IRC did not exceed 10 percent.

Ridgewood Capital Asset Management Inc.

As at December 31, 2011, no member of the IRC beneficially owned, directly or indirectly, any voting or equity securities of the Manager.

Service Providers

As at December 31, 2011, the members of the IRC, individually and in the aggregate beneficially owned, directly and indirectly, an inconsequential number being less than 0.01% of any class or series of voting or equity securities of a person or company that provides services to the Funds or to the Manager.

IRC Compensation and Indemnities

The Manager set the initial compensation and expense reimbursement policy of the IRC in September 2008. As compensation for services to the Funds, the Chair is paid \$20,000 per year and each other member is paid \$15,000 per year. Each member, including the Chair, is also paid an additional \$300 for each meeting attended. At least on an annual basis, the IRC will review compensation in a manner consistent with good governance practices, giving consideration to the following factors, among any other factors the IRC considers important:

- The best interests of the Funds;
- The number, nature and complexity of the Funds;
- The nature and extent of the workload of each IRC member, including the commitment of time and energy that is expected from each member;
- Industry best practices, including industry averages and surveys on IRC compensation, if available;
- The IRC's most recent annual self-assessment; and
- The Manager's recommendations about IRC compensation and expenses, if made.

During the most recently completed financial year of the Funds, the amount of fees and expenses payable by and charged to the Funds by the Manager in connection with the IRC was \$33,033.00. This was allocated amongst the Funds on an equitable and reasonable basis.

During the year, no indemnities were paid, and no expenses were reimbursed to the members of the IRC by the Funds.

Activities during the Period

Since its inception, the IRC has (a) prepared and approved the Charter of the IRC, (b) reviewed conflict of interest policies and procedures prepared by the Manager, and (c) reviewed conflict of interest matters identified and submitted to it by the Manager.

The IRC has also provided standing instructions to the Manager that permit the Manager to act on an ongoing basis in respect of the following conflict of interest matters. Each standing instruction requires the Manager to comply with the applicable policies and procedures of the Manager described below.

- Broker selection and best execution* – policies and procedures to ensure the appropriate selection of brokers and best execution in the trading of securities on behalf of the Ridgewood Funds.
- Trade allocations* – policies and procedures to ensure that security transactions are allocated fairly among the Funds or accounts managed by the Manager.
- Soft-dollar arrangements* – policies and procedures to ensure that brokerage arrangements are in the best interests of the Ridgewood Funds.

- (d) *Personal investing* – policies and procedures governing securities trading by employees, officers and directors of the Manager and its affiliates.
- (e) *Proxy voting* – policies and procedures regarding the exercise of proxy voting rights in respect of the voting securities held by the Ridgewood Funds.

Manager Actions

The IRC is not aware of any instance in which the Manager acted in a conflict of interest matter referred to the IRC for which the IRC did not give a positive recommendation. The IRC is not aware of any instance in which the Manager acted in a conflict of interest matter but did not meet a condition imposed by the IRC in its recommendation in respect of the matter.

Appendix I

Ridgewood Mutual Funds

Ridgewood Canadian Bond Fund

Ridgewood Tactical Yield Fund