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Dear Partners and Friends:

April was a strong month for equity indices around the world, and the Northern Rivers Innovation Fund LP (the Innovation Fund) and the Northern Rivers Innovation RSP Fund (RSP Fund) started playing catch-up with the global rally that began on March 10, posting returns of +10.13% and +9.24% respectively. Strong April returns from Neptune and Webtech would have left a wide gulf between the Innovation Fund and RSP Fund returns (because the weighting for Neptune and Webtech are significantly higher in the Innovation Fund), but strong months from Gastem and a few trading positions in the RSP Fund (Sandvine and Mercator Minerals, for example) meant that the returns of the RSP Fund ended up very similar to the Innovation Fund.

	Average Annual Returns to April 30, 2009*							
	2009 YTD	1 mo.	3 mo.	6 mo.	1 Yr.	3 Yr.	5 Yr.	Inception**
Northern Rivers Innovation Fund LP	5.81%	10.13%	3.47%	-17.51%	-61.20%	-20.48%	-3.14%	9.21%
Northern Rivers Innovation RSP Fund	4.44%	9.24%	6.04%	-16.39%	-60.06%	-19.41%	-4.24%	-4.54%

**Northern Rivers Innovation Fund LP inception date: May 8, 2001.
 Northern Rivers Innovation RSP Fund inception date: March 1, 2004.

With less than six weeks remaining to the mid-point of 2009, something I wrote in the 2008 year-end letter bears repeating: "...if I had arrived at the end of 2008 with the dismal performance I have had this year, AND a portfolio of *fundamentally* broken companies, I would have thrown up my hands in despair, apologized deeply to all of my supporters, and closed down my funds. HOWEVER, we have arrived at the end of 2008, yes, with the core stocks beaten down to levels I could never have imagined seeing again, BUT, in almost every case, both the business fundamentals and valuations of the core positions better than they have ever been. Based on those facts, I can do nothing but resolve to persevere, believing that we will ultimately thrive again, and work to realize the value that I know is being created by the companies in these portfolios."

At least so far, that resolve has been vindicated, with every core position now showing even more fundamental strength in its business, and the price action (technicals) of the stocks starting to point strongly toward long-term uptrends (especially Neptune). There is a LONG way to go, but I believe the business fundamentals will allow the stock prices to keep moving in the right direction.

Case in point: Webtech announces another \$5million+ channel; as the chart gets better and better, visibility to 40%+ revenue growth and profitability for 2009 gets stronger

The technicals on Webtech (WEW on the TSX) are shaping up beautifully, with a long base in the \$0.70-\$1.40 range; a recent technical analysis of WEW showed up on Bloomberg, suggesting a move to the \$1.70-\$1.85 range in the near-term. The great thing is that the fundamentals support such a move, especially with the accelerating news flow seen recently, and expected near-term developments discussed on their Q1 conference call.

One of the most under-appreciated recent developments for Webtech was contained in an April 21, 2009, press release which announced a re-seller/partnership agreement with TMW. Although the release generated little buzz in the equity markets for WEW, the release has generated a lot of buzz within the telematics and fleet management industry—I have already counted at least three articles in trade magazines—and has a significance which deserves to be spelled out:

TMW is one of the largest enterprise fleet management software companies (including dispatch and fleet maintenance software), with an installed base which includes 1,600 customers managing over 325,000 power units and maintaining more than 1.1 million assets (cars, trucks, trailers) worldwide. The partnership developed between TMW and WEW as TMW's customers were increasingly seeking TMW's advice about which telematics systems to use. The following is key: ***despite the fact that Qualcomm and PeopleNet (both WEW competitors) are TMW customers, TMW will be re-selling Webtech's telematics solution.***

The significance of this deal should not be underestimated:

- 1) As a channel, TMW is a bit like AT&T (announced January 21, 2009) on steroids: 60 of the top 100 transportation fleets run TMW software; having a trusted business partner like TMW endorsing and re-selling Webtech's systems should see immediate benefits.
- 2) TMW evaluated the offerings of their clients Qualcomm (which has the worlds' largest telematics installed base) and PeopleNet, and STILL chose to re-sell Webtech's systems (despite the fact that Webtech is not a client).

What kind of sales can be expected through this channel? I would be disappointed if we don't see \$5million in sales over the next 12 months through TMW, and (given the strength and embeddedness of TMW's relationships with their customers) not surprised if we saw significantly more.

Together with the May 8, 2009 announcement of a sale of 5,000 units to Brazil, the TMW partnership means that WEW now has at least six channels that should each generate between \$3million and \$10million over the next 12 months: TMW, Fedex (which could be \$5-\$20million over the next 12 months), ARI (the North American leasing company with an installed base of over 600,000 vehicles), GNP (Carlos Slim's Mexican insurance company), Brazil, and AT&T Wireless in the U.S. The bottom-line is that these six channels ON THEIR OWN should make Webtech profitable and achieve the 40% revenue growth which management has discussed on their last three conference calls.

Of course, roll-outs with the U.K.- and U.S.-based insurance companies (with which Webtech now has ongoing paid trials) would layer on significant revenues (the U.S. win in particular would

be enormous), and there are a number of other elephants that Webtech continues to hunt, whether partnered with IBM, or on their own. On top of all this, there is simply Webtech's "regular course of business" sales which generated over \$10million in revenue in 2008.

May and June promise to be great months for WEW, and this release from TMW and WEW was an undeservedly over-looked lead-in. The technical configuration that the WEW chart is in now suggests that the next two months should indeed be breakout months for WEW; it's been lagging, and now it appears to be catch-up time. The fact that Webtech generated cash in the first quarter and has stated they will continue generating cash for the rest of the year only supports this contention. (A replay of the May 12 conference call is definitely worth a listen!)

Where does my base case stand?

Two months ago, my base case of -10% to +10% returns in the U.S. markets and a bottoming in U.S. GDP in Q4 was looking hopelessly optimistic. Now, with the market having absorbed the bank "stress tests" and the "Swine Flu" with hardly a shrug, it appears even odds that my base case may even prove to be conservative. Recent data points and facts that are encouraging include:

- 1) The "acceleration wall" that the equity markets have seen off the March 9 lows is the most powerful acceleration wall since 1982 (which was the beginning of an almost-20-year secular bull market).
- 2) The process of inventory de-stocking appears to have run its course, according to sources as varied as government data, and companies such as Intel and Nokia.
- 3) Chinese industrial production recently hit new all-time highs.
- 4) Industrial production was up on a *global* basis in March for the first time since declining at an annualized 35% rate in Q4 of 2008.
- 5) The U.S. yield curve (which is the most leading of leading indicators) has now been positively sloped for well over a year, and is so steep that U.S. and global banks can achieve a great deal of balance-sheet healing simply through what is supposed to be their core business of "borrowing short and lending long."
- 6) There have now been over 675 fiscal and monetary policy initiatives announced globally since the Lehman bankruptcy.
- 7) Last (but far from least) the over \$600 billion of fiscal stimulus that is supposed to be injected into the U.S. economy over the next 12 months has only just begun to flow in the past month.

On the other hand, there are plenty of negatives still out there. The most important near-term negative which will present a challenge for the U.S. economy is what is going to happen in the U.S. auto industry over the next six months. International Strategy and Investment Group Inc. (ISI) estimates that dealership and plant lay-offs and shutdowns should see initial jobless claims shoot back up over 700,000; despite this near-term headwind, they believe the balance of factors for the equity market remain positive between now and year-end. An important factor is that the negatives out there are well known, and still well embraced by investors, as well-known purveyors

of the doomsday scenarios (such as Nouriel Roubini) continue to hit the speaking circuit on a regular basis i.e., the “wall of worry” that allows equity markets to continue on a generally upward trajectory appears to be intact.

A few points in closing

Thank you for your patience and trust as we travel together on this journey to a ‘new normal’, and know that I am doing everything I can to catalyze the value that I believe is being created by the companies in these portfolios. Also know that Likrilyn Capital Corporation, the parent company of Northern Rivers Capital Management Inc., made further investments in several of Northern Rivers’ funds on April 30, and has pledged to invest more money in the funds between now and the end of the year.

Best regards,

A handwritten signature in black ink, appearing to read "Hugh Cleland". The signature is fluid and cursive, with a large initial "H" and "C".

Hugh Cleland, CFA
Portfolio Manager

*Commissions, trailing commissions, management fees, performance fees and expenses all may be associated with investment funds. Please read the offering memorandum before investing. The indicated rates of return are the simple returns (YTD, 1 mo, 3 mo, 6 mo) or the historical annual compounded total returns (1 yr, 3 yr, 5 yr, and since inception). All returns are net of fees but do not take into account sales, redemption, distribution or optional charges or income taxes payable by any security holder that would have reduced returns. Investment funds are not guaranteed, their values change frequently and past performance may not be repeated.

The funds invest primarily in North American equities with a sector focus on technology, healthcare and resources. Geographic and sector allocations may, however, vary significantly over time. Investments made are primarily in small cap companies believed to be trading at a discount to their intrinsic value and which offer innovative products and services and a sustainable competitive advantage. The funds normally follow a more concentrated investment approach where the manager may overweight selected core holdings and industry sectors in which the manager has particular conviction and/or specialized expertise. The fund may engage in short selling and may also use specified derivatives, such as calls and puts, warrants, index futures and exchange traded funds. In addition, the fund is permitted to hold private entities that are not included on any public markets or indices. This may result in portfolio weightings and investment performance being substantially different from that of the S&P/TSX Composite, TSX Venture, Dow Jones Industrial or other market indices.