



March 18, 2010

Dear Partners and Friends:

February was a better month for the markets and the funds, as fears of a ‘cascading contagion’ (discussed in the last letter) receded. Promises of outside intervention in Greece’s fiscal disaster had the desired effect of allaying the fears of participants in financial markets. The diversification of the RSP Fund paid off in February, as Neptune was a drag on the LP, while other positions that the LP does not own had strong months in the RSP Fund.

	Average Annual Returns to February 28, 2010*							
	2010 YTD	1 mo.	3 mo.	6 mo.	1 Yr.	3 Yr.	5 Yr.	Inception**
<b>Northern Rivers Innovation Fund LP</b>	<b>-2.38%</b>	<b>2.68%</b>	<b>0.50%</b>	<b>-9.16%</b>	<b>11.67%</b>	<b>-31.73%</b>	<b>-5.39%</b>	<b>8.25%</b>
<b>Northern Rivers Innovation RSP Fund</b>	<b>0.56%</b>	<b>6.22%</b>	<b>3.68%</b>	<b>4.60%</b>	<b>43.48%</b>	<b>-25.18%</b>	<b>-1.09%</b>	<b>-0.27%</b>

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

**Good news for the farm team in both the RSP and LP**

The good news for the LP is that we have started adding new positions—an important milestone on the path to normalization. For example, a position that was added in January, and was at \$1.00/share on February 28, closed at \$2.49/share today. Also, I have just committed to a financing in a biotech company that appears to have a “silver bullet” gene therapy for “liquid cancers” such as multiple myeloma, lymphomas, and leukemia. The fundamental science is more promising than any I can recall investigating vis-à-vis cancer therapies; equally important is that the Chairman of the Board was the co-founder of one of the most successful US biotech firms of the past 10 years. (The company he co-founded was acquired for over US\$6 billion by one of the ‘big pharma’ players.) The company that the funds are investing in is the first biotech project that this luminary has committed to since he resigned several years ago from the company he co-founded. This gentleman is investing a significant amount of money into the same financing we are participating in. I will introduce this company in more detail in future letters.

**Serendipitously, this opportunity came to us through a search for an IR firm for Neptune**

One of the frustrations for investors in Neptune for the last while is that Neptune has neglected investor relations (IR) for quite some time now. Their internal IR person was let go in August of 2009, and—until now—nothing has been done to replace the function (either internally or externally). This meant that the stream of good news the company had over the last 5 months really only reached existing shareholders.

Finally, it looks like that is going to change. An existing shareholder from the UK has made introductions to two very strong IR groups. Both have strong credentials in terms of working with small companies in the resource and healthcare sectors, and helping them get exposure to a broad audience as milestones are met. Both groups “get” the story in terms of Neptune’s “sum of three parts”, and its potential to have a billion-dollar-plus market cap. Both have contacts all over North America and Europe, in all 4 “channels”—retail investors, retail brokers, institutional investors, and institutional research/brokerage houses. I am relieved that Neptune’s lack of IR is a problem that is now soon to be solved—especially because the events that should transpire for Neptune over the coming months deserve a much wider audience. It was serendipitous indeed that one of these IR groups has close ties to the Chairman of the company in which we are about to invest—serendipitous because it is through this group that we came across this investment opportunity, and serendipitous because the networks to which this group belongs should be very valuable to Neptune over the coming months.

**I will wait to review Vendtek after it resumes trading (which is expected to be any day now), so I will use this letter to introduce a farm team position: Iseemedia**

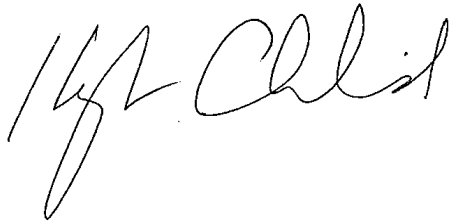
Iseemedia has not proven itself sufficiently to be considered “core” yet, but it is certainly showing great promise. It is a company I have followed (but not owned) for years, from initial private rounds, through its IPO, to finally participating for my investors in the recent financing at \$0.16/unit. The founder of Iseemedia built and sold his prior company—so I know he has “done it before”—but the combination of business progress and valuation in Iseemedia had never presented itself as attractively as it did a few months ago when they were raising money at \$0.16.

What attracted me to the company at this point was that they were finally able to commercially launch their “blackberry-like service” for regular cell phones, yet the valuation was a fraction of what it had been while this product was in development. Iseemedia’s offering allows users of regular mobile phones to get a two-way “push” e-mail interface which can accommodate attachments of most kinds, *without* having to spend the high upfront and monthly costs for a blackberry or smartphone. In North America, their offering may have some potential in the teen market, but it is in the emerging world where their greatest potential lies, because most of the hundreds of millions of users there cannot afford a blackberry or smartphone (or the monthly costs that come with them) but CAN afford the very small incremental cost of adding Iseemedia’s “blackberry-like service” to their regular mobile phone service.

They have already shown traction in the emerging world, with 2 wins and launches in India: one with Tata Teleservices, and the other with Reliance Telecom. Based on these 2 carriers alone, Iseemedia should be profitable by next summer; in the meantime, more wins should be forthcoming, and they will be crystallizing value from a number of assets within the company. This is a company that lost all credibility and was “left for dead” over the last two years, as their first commercial launches took about two years longer than expected to realize. I believe that as they announce more wins, credibility will re-build, and the visibility to free cash flow growth will become apparent to more and more investors.

In the next letter, I look forward to explaining why I think Vendtek is likely to give us strong returns in 2010 and beyond. In the meantime, I thank you again for your patience and trust. I am working hard every day to continue earning it.

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. Commencing January 1, 2009, performance fees of 10% of net return above hurdle rate were paid by the Partnership.

The Fund invests 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 Fund normally follows 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.