

Independent Review Committee  
2010 Report to Securityholders  
of the North Growth Funds

North Growth Management Ltd established an Independent Review Committee in August 2009. The inaugural meeting of the IRC was held August 26, 2009.

Four meetings of the IRC were held in 2010.

**Mandate of the IRC**

In accordance with NI-81-107, the mandate of the IRC is to review for, and provide input to the Manager, on the Manager's written policies and procedures which deal with Conflicts of Interest Matters ("COIM's") and to review for and provide its decision to the Manager on such COIM's. The Manager is required under NI-81-107 to identify conflicts of interest inherent in its management of the Funds, and request input from the IRC on how it manages those conflicts of interest, as well as on its written policies and procedures outlining its management of those conflicts of interest.

The Manager must refer its proposed course of action in respect of any such conflict of interest matters to the IRC for its review. Certain matters require the IRC's prior approval, but in most cases the IRC will provide a recommendation to the Manager as to whether or not, in the opinion of the IRC, the Manager's proposed action proves a fair and reasonable result for the Fund(s). For recurring COIM's, the IRC can provide North Growth with standing instructions ("Standing Instructions").

This report is available on North Growth Investment Management's website at ([www.northgrowth.com](http://www.northgrowth.com)) or you may request a copy, at no cost to you, by contacting North Growth at (604) 688-5440.

### **Members of the IRC**

<b>Name and municipality of residence</b>	<b>Principal Occupation</b>	<b>Length of Service First appointed</b>
Peter M. Jarvis, LLB Vancouver, BC Chair	Lawyer; Contracts Manager, MacDonald, Dettweiler & Associates	August 26, 2009
John K. Graf Richmond, BC	Corporate Director; Chartered Accountant	August 26, 2009
David Scott Vancouver, BC	Corporate Director; President, Scott.caGaliano Inc.	August 26, 2009

Each member of the IRC is independent of the Funds, the Manager and other companies related to the Manager. During the period, there were no changes in the composition of the IRC and there were no relationships that may cause a reasonable person to question a member's independence.

### **IRC Member Membership in the IRC's of Other Fund Families**

<b>Name</b>	<b>Other IRC</b>
Peter M. Jarvis	QE Funds Corp.
John K. Graf	Nil
David Scott	Fidelity Investments Canada ULC

### **Holding of Securities**

As at December 31, 2010, no member of the IRC beneficially owned, directly or indirectly, any securities of any class or series of voting or equity securities of North Growth, any service provider to North Growth or a Fund.

### **IRC Compensation and Indemnification**

The aggregate compensation paid by the Funds to the IRC for the 2010 calendar year was \$14,000. The compensation consisted of quarterly retainers of \$1,500 for the chair and \$1,000 for each of the other members. The Manager reimburses the Funds for the compensation paid to the IRC members.

No indemnities were paid to the IRC by the Funds during the period.

At least annually, the IRC will review its compensation in a manner consistent with reasonability and good governance practices, giving consideration to the following:

1. the best interest of the Funds;
2. that each Fund must pay its reasonable allocation of the compensation of the IRC from the assets of the Fund;
3. that the compensation paid to the IRC by each Fund should fairly and reasonably reflect the general and specific benefits accruing to the Funds;
4. the number, nature and complexity of the Funds for which the IRC acts, including the commitment of time and energy that is expected from each member;
5. industry best practices, including industry averages and surveys on IRC compensation;
6. the Manager's recommendations, if any; and
7. the IRC's most recent assessment, if any, of its compensation.

No review of compensation was conducted during 2010. The Manager has been requested to report on the IRC compensation in Q2-2011.

### **Conflict of Interest Matters**

No conflict matters were referred to the IRC by the Manager and the IRC is not aware of any instance in which the Manager acted in a COIM referred to the IRC for which the IRC did not give a positive recommendation. The Manager has an obligation to notify the IRC of any such instance.

The IRC is not aware of any instance in which the Manager acted in a COIM but did not meet a condition imposed by the IRC in its recommendation or approval. The Manager has an obligation to notify the IRC of any such instance.

### **Standing Instructions Approved**

The IRC has approved Standing Instructions, which constitute a written approval or recommendation from the IRC that permits the Manager to proceed with specific action(s) set out in the Standing Instructions on an ongoing basis, without having to refer the COIM or its proposed action to the IRC, provided the Manager complies with the terms and conditions of the Standing Instructions. In each case the Standing Instructions require the Manager to comply with its related policy and procedures and to report periodically to the IRC.

#### Standing Instruction 1 – Conflicts of Interest

A review of the sufficiency of the Standing Instructions was begun in 2010 by the IRC and will be concluded in Q2-2011.

### **North Growth Funds Served by the IRC (the “Funds”)**

US Equity Advisor Fund Series D Units  
US Equity Advisor Fund Series F Units