



**RavenSource Fund Independent Review Committee
2011 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 Fund and the Manager, the RavenSource Fund established and maintains an Independent Review Committee (“IRC”).

Under NI 81-107, the IRC reviews potential conflict of interests referred to us by the Manager and makes 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 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, 2011

Michael Siskind

Chair of the RavenSource Fund Independent Review Committee
March 29, 2012

RavenSource Independent Review Committee 2011 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 December 9th, 2011 and the following report summarizes the activities of the IRC in 2011

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.

Michael Siskind, David Magahey, and Richard Hamm appointed to the IRC in May 2007 for an initial term of 2 years. During 2009, Mr. Richard Hamm completed his 2 year term as a member of the IRC and Michael Gardiner of Fairwater Capital Corporation was appointed to the IRC as Mr. Hamm’s replacement. There were no changes to the composition of the IRC in 2011 and 2012.

Ownership of securities by IRC Members

In the Fund

As at December 31, 2011, 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 Manager

As at December 31, 2011, none of the members of the IRC beneficially owned, directly or indirectly, any securities of the Manager.

In any service provider

As at December 31, 2011, Mr. Michael Gardiner beneficially owned 25,900 common shares of Toronto-Dominion Bank and Mr. David Magahey beneficially owned 150 common shares of Toronto-Dominion Bank. Toronto-Dominion Bank provides Prime Brokerage and custodian 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 manager of the Fund, other than noted above.

Compensation and Indemnities

The aggregate compensation paid to the IRC by the Fund for 2011 was \$5,800.

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 2011, 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 the Specialty Foods Group. Mr. Reid is on the board of directors. Both Ravensource and another investment fund that the Manager manages have investments in Specialty Foods Group in the form of convertible secured debentures. The IRC is satisfied that no conflict exists for the investment.

The Ravensource Fund announced on April 21, 2011 the terms of a rights offering to eligible unitholders of the Fund. Through the rights offering, existing unitholders as of the record date of April 29, 2011 received one right for each unit held. Four rights entitled the holder to purchase one Ravensource unit at a price of \$10.33, which represented a discount of 5% to the average of the closing bid and ask for the Units on the Toronto Stock Exchange on April 20, 2011 and a 5.6% discount to the Net Asset Value of the Units as of April 14, 2011. The Rights expired at 4:00 p.m. (Toronto time) on May 30, 2011. For more information on the rights offering, the Offering Circular is available under the Fund's profile on SEDAR at www.sedar.com. The IRC notes that rights offering was fully subscribed, resulting in the Fund issuing 356,004 Units and raising total gross proceeds of \$3,677,521.

The IRC reviewed the terms of the rights offering prior to its announcement and determined that it was fair and free of conflicts of interest. The determination was based on the fact that all eligible unitholders had the right to participate on a pro rata basis without preferential treatment. It also noted that unitholders who elected not to participate had the ability to sell the rights in the open market and thus enabling them to capture the economics associated with the rights. Lastly, it was felt that all unitholders would benefit by the increase in the size of the Fund as it would lower the fixed costs per unit and allow it to participate in private investments and other investment opportunities that might not be available to smaller investment funds.

For the period ending December 31st, 2011, the IRC is not aware of any instance when the Manager acted in a conflict of interest matter referred to the IRC, where the IRC did not give a positive recommendation.

The IRC is required to report to the OSC any instance where the Manager acted in a conflict of interest matter but did not meet a condition imposed by the IRC in its recommendation or approval. We report that no such situation existed in 2011.

Standing Instructions

The IRC has issued standing instructions to the 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 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

For the period ending December 31st, 2011, the IRC, relying upon the representations of the Manager in this regard, was not aware of any instance in which the Manager acted contrary to any conditions imposed by the IRC in its standing instructions.