

**INDEPENDENT REVIEW COMMITTEE
INTERIM REPORT TO
COVINGTON CAPITAL CORPORATION (THE "MANAGER"),
MANAGER OF COVINGTON FUND II, INC., COVINGTON STRATEGIC CAPITAL
FUND INC., COVINGTON VENTURE FUND INC., AND NEW GENERATION
BIOTECH (EQUITY) FUND, INC. (COLLECTIVELY, THE "FUNDS")**

July 2, 2009

The Independent Review Committee (the "IRC") of the Funds has completed a limited scope assessment required by section 4.2 of National Instrument 81-107 - *Independent Review Committee for Investment Funds* ("NI 81-107") and prepared this report in accordance with section 4.3 of NI 81-107. Unless otherwise stated, the information in this report covers the period (the "Period") beginning October 31, 2008, the date of the last IRC report, and ending on July 2, 2009, the closing of the change of control transaction described in more detail below.

The Manager recently underwent a change of control transaction in which RC Capital Management Inc. acquired all of the issued and outstanding shares of the Manager. Effective upon the closing of the transaction, which occurred on July 2, 2009, the IRC ceased its responsibilities and the Manager appointed a new IRC. In order to discharge its duties under NI 81-107, and facilitate the transfer of responsibilities to the newly appointed committee, we have issued this Interim Report to the Manager.

Matters Considered by Independent Review Committee

In completing this assessment, the IRC has reviewed and considered:

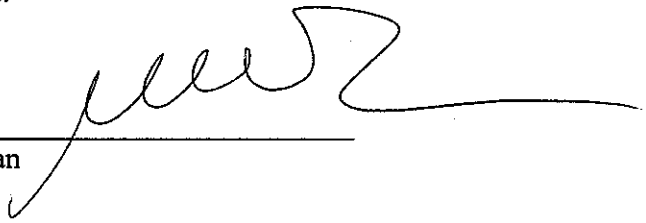
- the Manager's written policies and procedures;
- the IRC's standing instructions;
- compliance by the Manager and any Fund with any conditions imposed by the IRC in a recommendation or approval the IRC provided;

Report of Independent Review Committee

Based on its review, the IRC believes that for the purposes of the requirements of NI 81-107 for the operations of the Funds:

- the Manager's written policies and procedures were effective and adequate;
- the standing instructions provided by the IRC to the Manager were effective and adequate;
- to the best of its knowledge, the IRC is not aware, and has no reason to believe that there has been any breach by the Manager or any Fund of any of the Manager's policies and procedures;
- to the best of its knowledge, the IRC is not aware, and has no reason to believe that there has been any breach by the Manager or any Fund of any conditions imposed by the IRC in any recommendations or standing instructions provided by the IRC to the Manager;

In addition, the IRC confirms that it has no recommendations for any changes to the Manager's policies and procedures.



Miles F. Pittman
Chair

INTERIM REPORT OF THE INDEPENDENT REVIEW COMMITTEE OF THE COVINGTON FUNDS

July 2, 2009

Dear Securityholder:

This is our Interim Report to Securityholders as the Independent Review Committee (the "IRC") for the Covington Funds (the "Funds") managed by Covington Capital Corporation (the "Manager") for the period of October 31, 2008 through July 2, 2009. A list of the Funds is included in this Report.

The IRC was formed pursuant to National Instrument 81-107—Independent Review Committee for Investment Funds ("NI 81-107") issued by the Canadian Securities Administrators. NI 81-107 requires that conflict of interest matters (the "Conflicts") identified by the Manager be referred to the IRC for its recommendation or approval, depending on the nature of the Conflict. Conflict of interest matters arise when the interests of the Manager and those of the securityholders of the Funds are not necessarily the same. In such circumstances, the Manager is required to establish Policies and Procedures that will ensure that any potential Conflicts will be appropriately resolved and that the Manager will act in the best interests of the securityholders of the Funds. For each Conflict referred to the IRC by the Manager, the IRC's responsibility is to determine if the Manager's proposed action achieves a fair and reasonable result for the Funds. The Manager is not required to refer Conflicts to the IRC each time one arises if it complies with the terms of standing instructions from the IRC that are then in effect.

On April 30, 2007, the Manager appointed the initial IRC members. The members of the IRC have a broad range of expertise in a variety of areas including law, corporate governance and asset management. The IRC completed its first annual assessment in November of 2008. As part of that review and assessment, the IRC's written charter was ratified. Following its review, the IRC concluded that compliance with the Manager's proposed Policies and Procedures with respect to the Conflicts continued to achieve a fair and reasonable result for the Funds. As a result, the IRC provided standing instructions to the Manager, effective November 19, 2008, requiring the Manager to comply with its Policies and Procedures when dealing with the identified Conflicts, and to provide the IRC with periodic reports of the occasions on which it applied such Policies and Procedures.

Because the Funds do not engage in transactions with underwriters that are related parties to the Manager, it was not necessary for the Manager to seek the IRC's approval to participate in securities offerings underwritten by related parties. In addition, the Manager does not invest on behalf of the Funds in the securities of its parent company or related parties, so no approval was necessary for transactions in such securities.

As provided in a Notice to Investors which was mailed to investors on May 6, 2009, the Manager recently underwent a change of control transaction in which RC Capital Management Inc. acquired all of the issued and outstanding shares of the Manager. Effective upon the closing of the transaction which occurred on July 2, 2009, the IRC ceased its responsibilities and the Manager appointed a new IRC. In order to discharge its duties under NI 81-107, and facilitate the transfer of responsibilities to the newly appointed committee, we have issued this Interim Report.

The IRC has been pleased to work with the Manager and serve in the best interests of the Funds during its tenure.



Miles F. Pittman
Chair, Independent Review Committee

The Independent Review Committee (the “**IRC**”) for the Covington Funds (the “**Funds**”) managed by Covington Capital Corporation (“**Covington**” or the “**Manager**”) was formed pursuant to National Instrument 81-107—Independent Review Committee for Investment Funds (“**NI 81-107**”) issued by the Canadian Securities Administrators and became operational on October 11, 2007. The IRC issued its first report to securityholders dated October 31, 2008. The information in this report is for the period from October 31, 2008 until July 2, 2009.

IRC Members

<u>Name</u>	<u>Residence</u>
Miles F. Pittman	Calgary, Alberta
Kevin B. Love	Miami, Florida
David French	Columbia, Tennessee

The IRC meets periodically with representatives of the Manager and at least annually, holds a meeting without the Manager being present to discuss matters affecting the Manager’s policies and procedures, Standing Instructions and conflict of interest matters referred to the IRC. During the period of October 31, 2008 to July 2, 2009, the IRC held 6 meetings with representatives of the Manager.

None of the IRC members serves on the independent review committee for any other mutual fund family and none of the members of the IRC have any relationships which would compromise their independence with respect to the Funds.

All IRC members listed above were appointed to the IRC on April 30, 2007. Since their appointment, there have been no changes in the composition or membership of the IRC.

Holdings of Securities

Funds

As at July 2, 2009, the percentage of each class or series of voting or equity securities beneficially owned directly or indirectly, in aggregate, by all members of the IRC in any Fund did not exceed 10 percent.

Manager

Covington is an indirect wholly owned subsidiary of Affiliated Managers Group, Inc. (“**AMG**”), a U.S. public company. As at July 2, 2009, no IRC member beneficially owned, directly or indirectly, any class or series of voting or equity securities of AMG.

Service Providers

The following entities (the “**Service Providers**”) provide services to the Funds:

RBC Dexia Investor Services Trust provides accounting and custodian services to the Funds: RBC Dexia Investor Services is a joint venture equally owned by Royal Bank of Canada and Dexia (a European retail bank that is a Belgian public limited company).

CI Investments Inc. provides back office and administration services to the Funds: CI Investments is controlled by CI Financial Income Fund an income trust listed on the Toronto Stock Exchange.

As at July 2, 2009, none of the members of the IRC beneficially own directly or indirectly any securities of any person or company that provides services to the Funds or to the Manager.

IRC Compensation and Indemnities

The aggregate compensation paid by the Funds to IRC members in their capacity as the IRC members for the Funds for the period from October 31, 2008 (the date of the last IRC Report to Securityholders) to July 2, 2009 was \$90,562.50. This amount was allocated among the Funds.

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

Conflict of Interest Matters

Standing Instructions

When a conflict of interest matter arises, the Manager must, with the input of the IRC, establish written Policies and Procedures with respect to that type of matter and refer the matter, along with its proposed action, to the IRC for its review and recommendation or approval, depending on the nature of the conflict. As of October 31, 2008, the conflict of interest matters identified by the Manager that were referred to the IRC for its review, and for all of which the IRC provided recommendations and standing instructions to the Manager, based on the Policies and Procedures presented by the Manager, were:

1. Code of Ethics
2. Valuation of Fund Holdings and Fund Billing
3. Portfolio Compliance and Investment Oversight
4. Allocation of Investment Opportunities and Standard of Fairness
5. Statement of Policies for Related Registrants
6. Brokerage Practices
7. Gift Policy
8. Marketing
9. Error Correction

The standing instructions provided by the IRC for each of the above-noted conflict of interest matters require the Manager to comply with the Policies and Procedures presented to the IRC in respect of those matters and to provide periodic reports to the IRC in accordance with NI 81-107.

Approvals

Subsequent to the granting of the Standing Instruction, Covington identified and referred to the IRC matters relating to the management of liquidity.

Conclusion

During the period, there was no instance when 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 when the Manager acted in a conflict of interest matter referred by the Manager to the IRC but did not meet a condition imposed by the IRC in its recommendation.

System for Electronic Document Analysis and Retrieval

Project Detail for Project #: (01445973)

Investment Funds Simple Cover Page

Project #: 01445973

Filing Type: Reports under NI 81-107

Investment Fund Group: 00017147 Covington Group of Funds

Issuer Funds: 00017148 Covington Fund II Inc.

00020113 Covington Strategic Capital Fund Inc.

Filing Subscriber Name: Covington Capital Corporation

Subscriber Information

Contact

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Subscriber

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System for Electronic Document Analysis and RetrievalProject Detail for Project #: (01445973)Subscriber Information (continued)

User Name: Fiona Robertson

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Userid: avff0010

Recipient Agencies List

Recipient Agencies	Principal
Ontario	X

Status List

Recipient Agencies	Status	Date / Time
Ontario	Filed with SEDAR	07/09/2009 12:56:58

Submission List

Submission #	Submission Type	Date / Time
00000001	Reports under NI 81-107	07/09/2009 12:56:58

Document List

Report by independent review committee - English

Access Public

Submission # 00000001

Client File Name c:\SEDAR_Filings_2009\Interim_IRC_Rpt_Jne_09.pdf

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IRC Report

System for Electronic Document Analysis and Retrieval

Project Detail for Project #: (01445975)

Investment Funds Simple Cover Page

Project #: 01445975

Filing Type: Reports under NI 81-107

Investment Fund Group: 00023249 Covington Venture Fund Inc.

Issuer Funds: 00023250 Covington Venture Fund Inc.

Filing Subscriber Name: Covington Capital Corporation

Subscriber Information

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System for Electronic Document Analysis and RetrievalProject Detail for Project #: (01445975)Subscriber Information (continued)

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Recipient Agencies List

Recipient Agencies	Principal
British Columbia	
Alberta (ASC)	
Manitoba	
Ontario	X
Quebec	
New Brunswick	
Nova Scotia	
Prince Edward Island	
Newfoundland and Labrador	

Status List

Recipient Agencies	Status	Date / Time
British Columbia	Filed with SEDAR	07/09/2009 13:01:14
Alberta (ASC)	Filed with SEDAR	07/09/2009 13:01:14
Manitoba	Filed with SEDAR	07/09/2009 13:01:14
Ontario	Filed with SEDAR	07/09/2009 13:01:14
Quebec	Filed with SEDAR	07/09/2009 13:01:14
New Brunswick	Filed with SEDAR	07/09/2009 13:01:14
Nova Scotia	Filed with SEDAR	07/09/2009 13:01:14
Prince Edward Island	Filed with SEDAR	07/09/2009 13:01:14
Newfoundland and Labrador	Filed with SEDAR	07/09/2009 13:01:14

System for Electronic Document Analysis and RetrievalProject Detail for Project #: (01445975)Submission List

Submission #	Submission Type	Date / Time
00000001	Reports under NI 81-107	07/09/2009 13:01:14

Document List**Report by independent review committee - English****Access** Public**Submission #** 00000001**Client File Name** c:\SEDAR_Filings_2009\Interim_IRC_Rpt_Jne_09.pdf

System for Electronic Document Analysis and RetrievalProject Detail for Project #: (01445977)Investment Funds Simple Cover Page**Project #:** 01445977**Filing Type:** Reports under NI 81-107**Investment Fund Group:** 00015534 New Generation Biotech (Equity) Fund Inc.**Issuer Funds:** 00015504 New Generation Biotech (Equity) Fund Inc.**Filing Subscriber Name:** Covington Capital CorporationSubscriber Information**Contact****Contact:** Fiona Robertson**Tel:** (416) 365-5238 **Ext:****Fax:** (416) 365-8222**Email ID:** fiona.robertson@covingtonfunds.com**Subscriber****Company Name:** Covington Capital Corporation**Street:** 200 Front Street West

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System for Electronic Document Analysis and RetrievalProject Detail for Project #: (01445977)Subscriber Information (continued)

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Recipient Agencies List

Recipient Agencies	Principal
Ontario	X

Status List

Recipient Agencies	Status	Date / Time
Ontario	Filed with SEDAR	07/09/2009 13:02:38

Submission List

Submission #	Submission Type	Date / Time
00000001	Reports under NI 81-107	07/09/2009 13:02:38

Document List

Report by independent review committee - English

Access Public

Submission # 00000001

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