



Ridgewood Capital

Part 2A of Form ADV: Firm Brochure

March 2012

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This brochure provides information about the qualifications and business practices of Ridgewood Capital Management, LLC. If you have any questions about the content of this brochure, please contact us at 201.447.9000 or by e-mail at: invinfo@ridgewood.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Ridgewood Capital Management LLC also is available on the SEC's web site at www.adviserinfo.sec.gov.

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Advisory Business of Ridgewood Capital

Ridgewood Capital Management, LLC ("Ridgewood Capital" or the "Company") is a New Jersey limited liability company founded by Robert E. Swanson. Ridgewood Capital remains privately owned by its founder, Robert Swanson, Matthew Swanson and certain family trusts. Robert Swanson is the Company's sole manager.

Ridgewood Capital is primarily engaged in the business of furnishing investment, supervisory and management services (the "Services") to pooled investment funds it sponsors (the "Funds"). The Funds' objective is to invest in private growth companies, at differing stages of development, in diverse industry sectors ("Portfolio Companies") with a view toward creating long-term capital appreciation.

More specifically, Services include:

- Selecting Portfolio Companies for the Funds and negotiating the terms of the Funds' investment in such Portfolio Companies.
- Financial oversight, tax preparation and investor relations services to the Funds.

Ridgewood Capital does not provide Services with respect to any other types of investments or to individuals.

Ridgewood Capital has full, exclusive and complete discretion in the management and control of the Funds, including the authority to invest in any asset on behalf of a Fund. As of December 31, 2011 the total amount of assets under management by Ridgewood Capital was \$64,687,827.00.

Fees and Compensation

For the Services, the Funds pay the fees set out in their respective limited liability company or limited partnership agreement (the "Fund Agreement"). While the fees are not negotiable or refundable, Ridgewood Capital has the right to waive, and has in the past waived its fees.

Generally, the fee structure for Funds is as follows:

1. Investment Fee: A one-time investment fee of 6.1% of the undiscounted offering price. The investment fee is intended to pay organizational, distribution and offering expenses of the offering of the Funds' securities (such as legal, accounting, printing, distribution and selling costs) and compensate Ridgewood Capital for its initial services associated with

locating, investigating, evaluating, and negotiating investment opportunities and effecting related transactions. Earlier Funds had differing investment fees, averaging 5.6% of capital contributions, as more specifically outlined in such Funds' confidential offering memorandum.

2. Management Fee: For Funds created subsequent to 2009, an annual management fee equal to 2.5% of each Fund's total net capital contributions (but not in excess of 3% of total net assets, measured at the lower of cost or fair value). The management fee is paid annually, and until income from Portfolio Companies is available to defray this fee, it may be funded from interest income and, if necessary, from capital contributions to the Funds. Ridgewood Capital may, as explained in the Funds' Confidential Offering Memorandum (the private placement memorandum) reserve sufficient funds to cover the management fee. For a few of the very early Funds, their respective Fund Agreements provided for management fees equal to either 1.5% of capital contributions (in the case of Ridgewood Venture I Funds) or 2% of capital contributions (in the case of Ridgewood Venture II Fund).

In addition to the foregoing fees, Ridgewood Capital receives a distributive share, which entitles it to receive twenty-five percent (25%) of distributions. The distributive share becomes payable after the Fund's investors have received a return of their contribution to a particular Portfolio Company (the Investors' Investment Recovery Account). The Investors' Investment Recovery Account is explained in greater detail in the Fund Agreement. Briefly, the Investors' Investment Recovery Account consists of the sum of (a) the investors' allocation portion of the purchase price paid by the Fund for the securities of the Portfolio Company; (b) the investors' allocation portion of any fees and expenses incurred by the Fund in connection with such Portfolio Company; and (c) a pro rata amount of sales commissions and the investment fees charged against investors' capital contribution at the time of the Investors' investment in the Fund.

Types of Clients

Ridgewood Capital does not provide services to individuals or other entities.

Ridgewood Capital's clients are the Funds. As of the date of this brochure, each Fund is either a Delaware limited partnership or limited liability company. Each Fund is operated in accordance with its Fund Agreement. The Fund Agreement is part of the organized structure of each Fund. The Fund Agreement is provided to every investor in such Fund at the time of its offering pursuant to Regulation D. Any person wishing to make an investment in a Fund must meet the investor suitability standards set forth in such Fund's offering materials. Investors in the Funds acknowledge that they understand that the Funds are

private placements and are not transferrable, and it is possible for the investor to lose the entire amount of the investment in the Funds.

Methods of Analysis, Investment Strategies and Risk of Loss

The general objective of the Funds is to create long-term capital appreciation through its investments in the Portfolio Companies. Ridgewood Capital selects every Portfolio Company in which the Funds invest. Ridgewood Capital does not invest the Funds' money in exchange-traded securities, money market funds, mutual funds, stocks, bond or other similar securities, except that money that has not yet been used to invest in a Portfolio Company is invested in US Treasury Bills or are maintained in FDIC-insured bank accounts.

Ridgewood Capital performs extensive due diligence on each Portfolio Company before investing a Fund's money. Ridgewood Capital strives to maintain a balanced investment profile for the Funds, limit the investments in any one Portfolio Company and diversify the sectors the Portfolio Companies in which the Funds are invested participate. The factors Ridgewood Capital considers when reviewing a potential Portfolio Company, in no particular order include (but are not limited to) the following:

- Balanced Investment Profile: Ridgewood Capital considers a balanced investment profile to include a mix of earlier stage and later stage Portfolio Companies. Ridgewood Capital believes that the optimal risk/reward balance is likely to be achieved by investing in both early-stage high-beta companies and later-stage expansionary companies. Investments in early-stage companies can put all invested capital at risk, since many early-stage companies have unproven technologies, products, markets and customers. These high-beta companies, however, offer opportunities for high multiple returns not seen in late-stage investments. To balance the risky nature of early-stage companies, Ridgewood Capital will seek to appropriate a portion of the Funds' net capital towards later-stage companies. Investments in these later-stage companies are often made at the last round or penultimate round of financing before the company achieves profitability or a liquidity event. Given the typical size of the investments in later-stage companies, it is possible that the Funds may have more capital invested in later-stage companies than early-stage companies while the mix of total investments by number of deals is more evenly distributed.
- Investment Size: The amount of the Funds' capital invested in any Portfolio Company will usually depend on the maturity of the Portfolio Company (i.e. early, mid or late-stage), the quality of the management team, the perceived business opportunity in the particular sector, the capital required compared to existing capital and the potential return.

Although investment amounts will vary considerably, Ridgewood Capital strives to limit the investments in a Portfolio Company, including subsequent investments, to a range of \$1 to \$7 million.

- Diversification Considerations: The Company attempts to strike a good risk/reward balance by pursuing a strategy of diversification that includes (among other things): (a) investing in a portfolio of technology based companies (since 2009, Ridgewood Capital has focused on investing in a broad-based portfolio of energy technology companies targeting diverse sectors); (b) taking advantage of unique opportunities to invest in undervalued private or public companies or special situations – such as a roll up opportunity (the Funds may invest for the long-term in these companies with a view toward gaining control, effect a business combination in the short or medium-term, or to affect a sale of assets); and (c) syndicating financing rounds of Portfolio Companies by investing alongside well established venture capital firms, private equity firms and strategic investors.
- Subsequent Round Investments: The Funds anticipate that it may be necessary to provide some of their Portfolio Companies, particularly the earlier stage companies, with additional capital in subsequent round financings. Subsequent round investments may be made pursuant to rights to acquire additional securities or to increase the Fund's ownership positions in a successful or promising Portfolio Company. The Funds may choose to provide subsequent round investments for a number of reasons, such as providing additional capital to a Portfolio Company to develop a new line of business, support an expansion plan or recover from unexpected business problems.
- Investment Liquidation and Exit: Throughout the life of the Funds, Ridgewood will be focused on obtaining the highest possible return to its investors through long-term capital appreciation. In order to obtain the desired return to its investors, equity interests in Portfolio Companies and other forms of investment must ordinarily be sold or liquidated. The method and timing of the disposition of investment are critical elements of maximizing a Fund's returns. As the manager of the Funds, Ridgewood Capital will be very proactive about advising management on the business plans and exit strategy of the Portfolio Companies in which the Funds are invested. Ridgewood Capital's participation is generally accomplished by either joining or becoming an observer on the Portfolio Company's board of directors or equivalent.

It is expected, however, that most of the Funds' investments may not return significant amounts to the Funds, if at all, for at least three and often more years after the investment is made. Ridgewood Capital strives to liquidate

the Funds' investments through a variety of transactions, including mergers or acquisitions of Portfolio Companies by third parties, sales in registered offerings or sales in the public market pursuant to exemptions from registration. Distributions may be made to investors in the Funds in cash or securities. For each distribution that could be made, partly or wholly in-kind, Ridgewood will weigh the Funds' ability to liquidate stock effectively against the Funds' investors' opportunity to control the timing and amount of any gain or loss to be realized on the securities. Absent unusual circumstances, Ridgewood does not expect that the Funds will make distributions in-kind of non-marketable securities (for example, securities that are subject to securities law restrictions on resale or subject to a lock-up agreement or similar restrictions).

Notwithstanding Ridgewood Capital's strategy as stated above, the actual composition of Portfolio Companies may be dictated by market conditions and funding opportunities that are beyond the Company's control. Consequently, there can be no assurance that these portfolio management objectives can be met. The Funds' strategy of investing in Portfolio Companies carries with it a high-degree of risk, including the risk of loss of the entire investment in such Portfolio Company.

Equity interests the Funds receive in Portfolio Companies may not appreciate in value and may decline in value. The Funds' may not be able to realize gains from these equity interests and any gains that the Funds do realize on the disposition of any equity interests may not be sufficient to offset any other losses the Funds experience. Further, investing in Portfolio Companies involves significant risks, such as (by way of example):

- Limited Operations: Typically, the Portfolio Companies in which the Funds invest have shorter operating histories, narrower product lines and smaller market shares than larger established business. These Portfolio Companies are therefore more vulnerable to competitors' actions and market conditions, as well as general economic downturns.
- Reliance on Key Personnel: Portfolio Companies are more likely to depend on the management talents and efforts of a small group of people, whose death, disability, resignation or termination could have a material adverse impact on the Portfolio Company.
- Unpredictable Operating Results: The Portfolio Companies are generally involved in rapidly changing business with products that are subject to a substantial risk of obsolescence that may require substantial additional capital to support their operations, finance expansion or maintain their competitiveness. Due to their limited operating history and discrete markets, however, the Portfolio Companies may have difficulty accessing

the capital markets to meet future capital needs which may limit their ability to grow or repay their outstanding indebtedness.

- Competition for Investment Opportunities/Dilution: The Funds will compete with public and private funds, commercial and investment banks and other financing companies to make investments in Portfolio Companies. Many of the Funds' competitors are substantially larger and have considerably greater financial, technical and marketing resources than the Funds. In addition, if Portfolio Companies need additional financing, they may seek additional equity financing and not debt. Subsequent rounds of equity financing (i) are often dilutive and are sometime very dilutive, (ii) often give later investors a preference in liquidation over prior investors, and (iii) may impose punitive contractual provisions on existing investors that do not participate in subsequent rounds. There is no assurance that Ridgewood Capital will be able to predict the future capital requirements of a Portfolio Company or whether additional funds will be available from any source.
- Government Actions/Inaction: The Funds may be investing in Portfolio Companies' whose activities are in heavily regulated areas, such as the energy technologies industry (such as, but not limited to, renewable or alternative energy and climate change or emissions abatement). In some cases Portfolio Companies may rely heavily on Government funding to develop and advance their technologies; which funding may be amended or withdrawn, which could adversely impact the viability of the Portfolio Companies. Also, changes in or failures to change legislature may limit the desirability of the Portfolio Companies' technology.
- Investments in Portfolio Companies are illiquid and generally subject to severe sale restrictions: Most of the holdings in Portfolio Companies will be securities that are subject to restrictions on resale (similar to the restrictions on resale imposed on Fund investors). Generally, unless the securities are subsequently registered under the Securities Act of 1933, as amended (the "Securities Act"), the Funds will not be able to sell these securities unless they meet all of the conditions of Rule 144 or another rule under the Securities Act that permits re-sale of restructured securities. Additionally, it is typical for a company selling public securities to require a "lock-up" period during which prior holders may not sell stock regardless of any rules. Also, the Portfolio Companies charter documents (e.g. bylaws, limited liability company agreements) may also contains restrictions against transfer. Consequently, the Funds' may be unable to sell or distribute securities of Portfolio Companies.

The above explanation of risks associated with the Funds' activities is not intended to be exhaustive. Each Portfolio Company in which a Fund invests may

carry a different set of risks of loss of the investment based on that Portfolio Company's structure, market sector, management and other unforeseen factors. Ridgewood Capital, as the Manager of the Funds, acts as each Fund's agent when effecting an investment in the Portfolio Companies tries to balance the risks of loss with the Funds' goal of realizing long-term capital appreciation.

In addition to the risks related to investing in the Portfolio Companies, there are risks to the Funds related to Ridgewood Capital's management of numerous Funds. Inherent with the exercise of its discretion as Manager of the Funds, Ridgewood Capital will face certain conflicts of interests when acquiring Portfolio Companies for the Funds. These conflicts include, but are not limited to:

1. Ridgewood Capital's providing Services to more than one Fund may raise questions concerning its compensation. As a result, Ridgewood Capital has used the same fee structure for the Funds and its rates are competitive with rates charged by unaffiliated persons providing similar services.
2. Competing demands for management resources of Ridgewood Capital and other Funds, and allocating investment or divestiture opportunities among Funds.
3. The interests of Ridgewood Capital and its affiliates in receiving compensation from the Funds' for investment activities, operating activities and divestitures, as well as reimbursement for expenses versus the interests of the Funds' investors to maximize the return on their investment in such Funds.
4. Ridgewood Capital's allocating its costs and expenses among the Funds.
5. Ridgewood Capital's interest in having as large a Fund offering as possible for reputational reasons versus the ability of a larger Fund to obtain sufficient sustainable investments for the size of the Fund.
6. The fact that Ridgewood Capital may make subjective determinations of the value of the Funds' assets and it has broad discretion to determine allocation ratios, investment recovery amounts, capital reductions and other allocations of profit and loss, and other items and any such determinations may affect the compensation (fees and distributions) payable to Ridgewood and the performance record of the Funds.
7. The fact that Ridgewood Capital shares in gains realized on securities of Portfolio Companies but does not share in losses realized on other Portfolio Company securities.

8. The competing demands on Ridgewood Capital to allocate investment opportunities among the Funds, and conflicts arising if one Fund supplies capital for an investment and another Fund later is allocated a portion of that investment and returns a proportionate amount of capital.
9. The determination Ridgewood Capital may make from time-to-time in selecting which Funds, if any, will supply additional capital in the event the Portfolio Companies were to require additional contributions.
10. The lack of independent representation of the Funds' investors in structuring the offering and in determining compensation.
11. The potential interests of Ridgewood Capital or its affiliates in competing investment ventures and the Company's ability to cause the Funds to enter into material transactions with Ridgewood Capital or its affiliates without an independent panel or other body to review those transactions on behalf of the Funds.
12. Prior Funds may have invested in more than one Portfolio Company that is developing technology in a particular market sector while later Funds may invest in a competing Portfolio Companies in the same market sector. As a result, Ridgewood Capital's officers or employees that monitor the activities of Portfolio Companies may: (i) receive confidential information from one Portfolio Company that would be material to another Portfolio Company but which such employees cannot disclose; (ii) advise or participate in decision making for one Portfolio Company in a way that may be materially adverse to another Portfolio Company. In so doing, Ridgewood Capital employees and possibly Ridgewood Capital itself may be subject to conflicts of duty or conflicts of interest between its obligations to the Funds and its obligations to each Portfolio Company.

With respect to these and other potential conflicts, Ridgewood Capital will exercise its fiduciary duties to each Fund in good faith and as required by law and the Fund Agreements. The Company endeavors to resolve such conflicts in the best interests of each Fund involved. Under each Fund Agreement, in resolving conflicts of interest that may arise, Ridgewood Capital is not liable to investors for such resolutions unless it has acted in bad faith, engaged in gross negligence or willful misconduct.

Other Financial Industry Activities and Affiliates

Robert E. Swanson is also the founder and principal of Ridgewood Securities Corporation ("Ridgewood Securities") and Ridgewood Energy Corporation ("Ridgewood Energy"). Ridgewood Securities is a licensed broker-dealer

registered with the Securities and Exchange Commission. Ridgewood Securities serves as placement agent for the Funds and funds sponsored by Ridgewood Energy. Ridgewood Securities is only one of many broker-dealers that offer and sell a Funds' securities; all other broker-dealers are not affiliated with Ridgewood Securities, Ridgewood Energy or Ridgewood Capital. Ridgewood Securities does not charge the Funds any placement fees. Ridgewood Securities and other licensed broker-dealers that sell shares in a Fund during such Fund's offering period are paid a commission from the proceeds of the offering. These fee arrangements are fully disclosed in the Funds' Confidential Offering Memorandum (the private placement memorandum) and set forth in each Fund Agreement.

Ridgewood Energy is a registered investment adviser that sponsors private placements (Regulation D offerings) focused on investing in oil and natural gas exploration and development projects in the U.S. waters of the Gulf of Mexico. Ridgewood Energy private placements do not invest in any Portfolio Companies.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Ridgewood Capital has adopted a code of ethics which governs the conduct of its employees. The code of ethics establishes standards of business conduct that Ridgewood Capital requires of its employees, which standards reflect the firm's fiduciary obligations to the Funds. The code of ethics also contains provisions requiring employees to comply with applicable securities laws. Certain employees are also required to report to the firm their personal securities transactions and holdings periodically and pre-clear certain securities transactions. Finally, in addition to the code of ethics, Ridgewood Capital has adopted internal reporting procedures, which require all employees to report any violations of the code or applicable securities or other laws to the Company or the appropriate authorities. A copy of the Code of Ethics and internal reporting procedures is available upon request.

Custody

Portfolio Company share certificates and other securities (US Treasury Bills) are maintained at Raymond James Financial Services. Cash is held at Wells Fargo (formerly Wachovia N.A.) and Capital One N.A. Ridgewood Energy receives the Funds' account statements. These custodians do not send duplicate account statements to the Funds' investors. Existing Funds will be audited for the calendar year ending December 2011 and such audited financial statements will be provided to investors via Ridgewood Capital's web-site or on paper upon request.

Investment Discretion and Voting Client Securities

As explained above, Ridgewood Capital has complete and total discretion over the selection of Portfolio Companies for the Funds. This includes the authority to participate in Portfolio Companies and make additional investments therein. The investors in the Funds are not required to approve any investment decision made by Ridgewood Capital.

With respect to the shares of the Funds. Ridgewood Capital does not hold authority to vote on behalf of the Funds' investors. Under the Fund Agreement, however, there are a limited number of items for which a vote of investors is required.