

Court File No. CV-13-10279-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN
OF COMPROMISE OR ARRANGEMENT OF
GROWTHWORKS CANADIAN FUND LTD.

**THE FIRST REPORT OF
FTI CONSULTING CANADA INC.,
IN ITS CAPACITY AS MONITOR**

October 8, 2013

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INTRODUCTION

1. On October 1, 2013, GrowthWorks Canadian Fund Ltd. (the “**Fund**” or the “**Applicant**”) made an application under the *Companies' Creditors Arrangement Act*, R.S.C. 1985 c. C-36, as amended (the “**CCAA**”) and an initial order (the “**Initial Order**”) was made by the Honourable Justice Newbould of the Ontario Superior Court (Commercial List) (the “**Court**”) granting, *inter alia*, a stay of proceedings against the Applicant until October 31, 2013 and appointing FTI Consulting Canada Inc. as monitor of the Fund (the “**Monitor**” or “**FTI**”). The proceedings commenced by the Fund under the CCAA will be referred to herein as the “**CCAA Proceedings**”.



2. The purpose of this report is to report to the Court as to, *inter alia*, (i) the state of affairs of the Applicant; (ii) the Monitor's activities since the date of the Initial Order; and (iii) the Applicants' 13 week cash flow projections to December 27, 2013 (the "**October 1 Forecast**") in accordance with section 23(1)(b) of the CCAA.
3. In preparing this report, the Monitor has relied upon unaudited financial information of the Fund, the Fund's books and records, certain financial information prepared by the Fund and discussions with the Fund's management. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information. Future oriented financial information reported or relied on in preparing this report is based on management's assumptions regarding future events; actual results may vary from forecast and such variations may be material.
4. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars. Capitalized terms not otherwise defined herein have the meanings defined in the affidavit of C. Ian Ross, Chairman of the Applicants, sworn September 30, 2013, and filed in support of the CCAA Proceedings (the "**September 30 Affidavit**").
5. This report should be read in conjunction with the September 30 Affidavit as certain information contained in the September 30 Affidavit has not been included herein in order to avoid unnecessary duplication.



THE BUSINESS AND AFFAIRS OF THE FUND AND THE CAUSES OF ITS INSOLVENCY

6. The Fund is a labour sponsored venture capital fund that currently has a mature and diversified portfolio consisting primarily of investments made in small and medium sized Canadian businesses. The Fund was formed in 1988 with the investment objective of achieving long term appreciation for its Class A shareholders, whom principally comprise retail investors.
7. Prior to September 30, 2013, the Fund's the day to day operations were delegated to GrowthWorks WV Management Ltd. (the "**Manager**") pursuant to a Management Agreement dated July 15, 2006 ("**Management Agreement**"). In accordance with the terms of the Management Agreement, the Manager was permitted to delegate its duties under the Management Agreement to third parties. The Manager exercised such delegation of the Manager's obligations to GrowthWorks Capital Ltd. On September 30, 2013 the Fund terminated the Management Agreement for the reasons outlined in the September 30 Affidavit.
8. A detailed description of the business and affairs of the Applicant as well as the causes of their insolvency are described in detail in the September 30 Affidavit. The Monitor has reviewed the September 30 Affidavit and believes that the September 30 Affidavit provides a fair summary of the business and affairs of the Fund and the causes of its insolvency.

ACTIONS OF THE MONITOR SINCE THE INITIAL ORDER

9. Forthwith following the making of the Initial Order, representatives of the Monitor made the Initial Order publicly available on the Monitor's website: <http://cfcanada.fticonsulting.com/gcfl/>. The Monitor also made various materials related to the CCAA Proceedings available on its website, including a separate section dedicated to shareholders of the Fund. The Monitor will continue to update the website by posting, *inter alia*, the Monitor's reports, motion materials and Orders granted in these CCAA Proceedings.



10. The Monitor has established a toll-free telephone hotline (416-649-8087 and 1-855-431-3185) as well as a dedicated email inbox (growthworkscanadianfundltd@ficonsulting.com) to address third party enquiries. To date, the Monitor has responded to over 75 email and voicemail enquiries.

11. In addition, the Monitor and Osler, Hoskin & Harcourt LLP worked with the Applicant and its counsel, McCarthy Tetrault LLP, to:
 - (a) draft a form of notice to be published in the National edition of the Globe and Mail once a week for two consecutive weeks beginning the week ending October 11, 2013 and containing the information as prescribed by the CCAA;
 - (b) draft a form of notice (the “**Notice**”) of the Initial Order to be emailed to creditors of the Fund pursuant to the Initial Order; and
 - (c) draft a form of notice to the Portfolio Companies.

12. In addition to the above, on October 2, 2013, the representatives of the Monitor requested from the Manager, amongst other things,
 - (a) a list of all outstanding creditors of the Fund as of September 30, 2013 (including names, mailing addresses, amounts outstanding) (the “**List of Creditors**”);
 - (b) a list of all cash of the Fund as of September 30, 2013 (including, bank account details, account numbers);
 - (c) a list of shareholders (including names, contact details);
 - (d) trial balances and back up sheets / build up worksheets;



- (e) financial statements of the Fund (including latest internal financial statements);
 - (f) a list of contact details for executives, co-investors, and lenders of the Portfolio Companies;
 - (g) details with respect to board nominee positions held by that Growthworks;
 - (h) a list of outstanding cheques as of September 30, 2013;
 - (i) information pertaining to the status of source deductions, HST and other tax-related items (account numbers, amounts outstanding, filings, etc);
 - (j) contact list and description of third party suppliers to the Manager providing various services to the Fund;
 - (k) a list and contact information of all brokers who receiving trailer payments.
13. To date the Monitor has received certain requested information from the Manager. The Manager continues to work with the Monitor to provide the remaining requested information in a usable format and also continues to work with the Monitor to meet any additional requests for information.
14. As there are no known creditors of the Fund who have a claim of more than \$1,000, the Notice pursuant to the CCAA was not required to be sent and a List of Creditors was not required to be posted on the Monitor's website.



CRITICAL SUPPLIER

15. On October 1, 2013, the Court adjourned until October 9, 2013, (the “**Comeback Date**”) certain provisions in the draft Initial Order designating the Manager as a critical supplier as contemplated by section 11.4 of the CCAA.
16. The Applicant sought the declaration that the Manager is a critical supplier in order to ensure that necessary transition services would be conducted by the Manager pursuant to the terms of the Management Agreement, subsequent to the termination thereof. The reasons for the Applicant’s requested critical supplier relief is outlined in the September 30 Affidavit.
17. The Monitor understands that it is the Manager’s position that the termination of the Management Agreement by the Fund was ineffective.
18. As set out in paragraph 36 of the September 30 Affidavit, the Fund takes the position that, pursuant to the Management Agreement, the Manager has continuing obligations to provide transitional services to the Fund after termination. Representatives of the Manager and the Fund are in discussions with respect to the critical supplier status, including the scope of the proposed critical supplier charge, the transition services to be provided and the costs of such services. The Monitor is participating in such discussions and will report to the Court with respect to the outcome thereof.

MONITOR’S REPORT ON THE REASONABLENESS OF THE CASH FLOW PROJECTIONS

19. Pursuant to section 23(1)(b) of the CCAA and in accordance with the Canadian Association of Insolvency and Restructuring Professionals Standard of Practice 09-1 (“**CAIRP SOP 09-1**”), the Monitor is required to provide this Honourable Court with its finding with respect to its review of the October 1 Forecast’s reasonableness. The Monitor’s Report with respect to same is as follows.



20. The October 1 Forecast has been prepared by the Fund for the purpose of determining the liquidity requirements for the Fund during the CCAA Proceedings using the Probable and Hypothetical Assumptions as identified by the Fund and as discussed with the Monitor. Copies of the October 1 Forecast and the report containing the prescribed representations of the Fund regarding the preparation of the October 1 Forecast were submitted as part of the initial motion material and are attached hereto collectively Appendix "A".
21. The Monitor's review consisted of inquiries, analytical procedures and discussion related to information supplied to us by the Fund. Since Hypothetical Assumptions need not be supported, the Monitor's procedures with respect thereto were limited to evaluating whether they were consistent with the purposes of the October 1 Forecast. The Monitor also reviewed the support provided by the Fund for the Probable Assumptions and the preparation and presentation of the October 1 Forecast.
22. Based on the Monitor's review, nothing has come to its attention that causes the Monitor to believe that, in all material respects:
 - (a) The Hypothetical Assumptions are not consistent with the purposes of the Cash Flow Projections;
 - (b) As at the date of the CCAA Proceedings, the Probably Assumptions developed by the Fund are not Suitably Supported and consistent with the plans of the Fund or do not provide a reasonable basis for the October 1 Forecast, given the Hypothetical Assumptions; or
 - (c) The October 1 Forecast does not reflect the Probably Hypothetical Assumptions.



23. Since the October 1 Forecast is based upon Assumptions regarding future events, actual results will vary from the information presented even if the Hypothetical Assumptions occur, and the variations may be material. Accordingly, the Monitor expresses no assurance as to whether the October 1 Forecast will be achieved. The Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon by it in preparing this report.
24. The October 1 Forecast has been prepared solely for the purposes of determining the liquidity requirements for the Fund during the CCAA Proceedings, using Probable and Hypothetical Assumptions, and readers are cautioned that it may not be appropriate for other purposes.

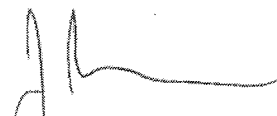
The Monitor respectfully submits to the Court this First Report.

Dated this 8th day of October, 2013.

FTI Consulting Canada Inc.
in its capacity as Monitor of Growthworks Canadian Fund and not in its
personal or corporate capacity



Paul Bishop
Senior Managing Director



Jodi B. Porepa
Managing Director



Appendix A



Report regarding the Preparation of the Cash Flow Statement

Item	Representation
1.	The hypothetical assumptions are reasonable and consistent with the purpose of the projections as described in Note 1 to the attached Cash Flow Forecast ("Note 1"), and the probable assumptions are suitably supported and consistent with the plans of the debtor company and provide a reasonable basis for the projections. All such assumptions are disclosed in the Notes.
2.	Since the projections are based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.
3.	The projections have been prepared solely for the purpose described in Note 1, using the probable and hypothetical assumptions set out in the Notes. Consequently, readers are cautioned that it may not be appropriate for other purposes.



Growthworks Canadian Fund Ltd.

Per: C. Ian Ross, Interim Chief Executive Officer

Growthworks Canadian Fund Ltd.
 13 Week Cash Flow Forecast
 CAD \$000

	Week 1 4-Oct	Week 2 11-Oct	Week 3 18-Oct	Week 4 25-Oct	Week 5 1-Nov	Week 6 8-Nov	Week 7 15-Nov	Week 8 22-Nov	Week 9 29-Nov	Week 10 6-Dec	Week 11 13-Dec	Week 12 20-Dec	Week 13 27-Dec	Total
Cash Inflow	-	-	-	-	38	-	-	-	1,200	-	-	-	-	1,238
Total Cash Inflow	-	-	-	-	38	-	-	-	1,200	-	-	-	-	1,238
Cash Outflow	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Follow on Funding	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CEO Fees & Expenses	-	11	-	-	-	-	-	-	-	1,000	-	-	-	1,000
Insurance Fees	100	-	-	-	-	-	-	-	-	-	11	-	-	66
Financial Advisor Fees	70	20	20	20	20	20	20	20	20	25	25	25	25	100
Interest Fees	1,477	-	-	-	-	-	-	-	-	-	-	-	-	390
Other	-	-	197	-	-	-	-	197	-	-	-	-	-	1,477
Total Cash Outflow	1,647	31	217	31	20	20	31	217	31	1,025	36	75	36	3,417
Restructuring Costs	230	80	80	80	80	76	76	76	76	76	76	76	76	1,160
Financial Advisor Fees	230	80	80	80	80	76	76	76	76	76	76	76	76	1,160
Total Restructuring Fees	460	160	160	160	160	152	152	152	152	152	152	152	152	2,320
Net Cash Flow	(1,877)	(111)	(297)	(111)	(62)	(96)	(107)	(293)	1,093	(1,101)	(112)	(151)	(112)	(3,339)
Opening Cash Balance	6,560	4,683	4,572	4,275	4,164	4,102	4,006	3,899	3,606	4,698	3,597	3,485	3,334	6,560
Net Cash Flow	(1,877)	(111)	(297)	(111)	(62)	(96)	(107)	(293)	1,093	(1,101)	(112)	(151)	(112)	(3,339)
Ending Cash Balance	4,683	4,572	4,275	4,164	4,102	4,006	3,899	3,606	4,698	3,597	3,485	3,334	3,221	3,221

Notes

- The purpose of this Cash Flow Forecast is to determine the liquidity requirements for Growthworks Canadian Fund Ltd. during the CCAA Proceedings.
- Receipts have been forecast based on expected venture exits.
- Follow on Funding is based on management's estimate of possible requirements.
- Operating expenses are forecast based on historical analysis and estimates from services providers.
- Payments to the Manager have not been included, however, payments may be required in order to facilitate an orderly transition of the management and accounting for the fund and completion of the audit.
- Estimated Restructuring costs are based on projected costs associated with legal and professional fees relating to the CCAA Proceedings.

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