

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

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

B E T W E E N :

**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.**

**TWENTY-NINTH REPORT OF
FTI CONSULTING CANADA INC.,
IN ITS CAPACITY AS MONITOR**

March 27, 2022

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1. On October 1, 2013 (the “**Filing Date**”), GrowthWorks Canadian Fund Ltd. (the “**Fund**”) made an application under the *Companies' Creditors Arrangement Act*, R.S.C. 1985 c. C-36, as amended (the “**CCAA**”) and an initial order was granted by the Ontario Superior Court of Justice (Commercial List) (the “**Court**”).
2. The Initial Order, among other things, granted a stay of proceedings against the Fund, which was most recently extended until March 31, 2022 (the “**Stay of Proceedings**”). The Initial Order also appointed FTI Consulting Canada Inc., as monitor of the Fund (the “**Monitor**”).

3. The proceedings commenced by the Fund under the CCAA will be referred to herein as the “**CCAA Proceedings**”.

BACKGROUND

4. The Fund is a labour sponsored venture capital fund that held a diversified portfolio (the “**Portfolio**”) consisting primarily of investments made in small and medium-sized Canadian businesses (each a “**Portfolio Company**”). The Fund typically made venture investments in early to mid-stage private companies. A significant portion of the Portfolio comprises minority equity holdings in companies.

5. The Fund was formed in 1988 with the investment objective of achieving long-term appreciation for its Class A Shareholders, who are principally comprised of retail investors.

6. Since the outset of the CCAA Proceedings, the Fund disclosed to its stakeholders and to the Court that it may take a significant amount of time to carry out an orderly divestiture of the Portfolio. Given that the Portfolio consisted of venture investments in private software, technology and biotech companies, these investments were not immediately saleable and forced divestitures would have resulted in significantly reduced sale proceeds. Availability of value-maximizing exit opportunities in the Portfolio is largely dependent on, among other things: (i) favourable M&A and IPO market conditions; or (ii) the Portfolio Companies achieving value enhancing milestones, such as a regulatory approval of innovative devices. The Fund does not have control over the occurrence of favourable exit opportunities. Accordingly, the Fund, in consultation with the Monitor and the Fund’s investment advisor, took the appropriate time to identify and transact value-maximizing exit opportunities for the benefit of all stakeholders.

7. In addition to divesting the Portfolio's investments during appropriate market conditions, during the pendency of these CCAA Proceedings, the Fund:

- (a) terminated its management agreement (the "**Management Agreement**") with GrowthWorks WV Management Ltd. (the "**Former Manager**") as a result of certain defaults by the Former Manager. Prior to termination, the Former Manager managed the Fund's day-to-day operations, including the Portfolio;
- (b) paid off its sole senior secured creditor, Roseway Capital L.P. ("**Roseway**"). In excess of \$27 million was owed to Roseway at the outset of the CCAA Proceedings;
- (c) conducted a pre-filing claims process in accordance with the Claims Process Order issued by the Court on January 9, 2014 (the "**Pre-Filing Claims Process**") in order to solicit, review and adjudicate claims of creditors of the Fund and its officers and directors that were incurred or relate to a period prior to the Filing Date;
- (d) completed a trial of the Former Manager's \$18 million claim against the Fund relating to the termination of the Management Agreement as well as the Fund's

corresponding counter-claim, resulting in a costs award payable to the Fund by the Former Manager;

- (e) engaged Crimson Capital Inc. (“**Crimson**”) as its investment advisor to manage the Portfolio, including its orderly divestiture;
- (f) settled a \$650 million claim by Allen Vanguard and a related unquantified claim filed by certain offeree shareholders, for a sum that was less than the amount held in escrow against such claims;
- (g) conducted a sale process with the assistance of its financial advisor, CCC Investment Banking (“**CCC**”) in 2013 (the “**Sale Process**”). The Sale Process did not result in any satisfactory bids;
- (h) conducted market checks in each of 2018 and 2019 with the assistance of CCC as to a potential sale of the entire Portfolio (the “**Market Checks**”). The Market Checks were conducted in order to consider whether there were alternatives to

continuing an orderly liquidation of the investments comprising the Portfolio. No acceptable proposals were put forward as a result of the Market Checks;

- (i) obtained an Order of the Court requiring that Newbury Equity Partners II L.P. (“**Newbury**”) pay to the Fund approximately \$1 million on account of Newbury’s obligations to the Fund under a Share Purchase Agreement;
- (j) resolved a dispute with one of its Portfolio Companies, BluePrint Software Systems Inc. (“**Blueprint**”), concerning the entitlement of the Fund to maintain its non-diluted percentage of ownership in Blueprint; and
- (k) conducted a post-filing claims process in accordance with the Post-Filing Claims Process Order issued by the Court on November 30, 2021 (the “**Post-Filing Claims Process Order**”) in order to solicit, review and adjudicate claims of creditors of the Fund and its directors and officers incurred or attributed to the period from and after the Filing Date.

PURPOSE OF THIS REPORT

8. This Twenty-Ninth Report sets out the Monitor’s recommendations in respect of the relief sought by the Fund, and among other things:

- (a) provides an update on the status of the Portfolio;
- (b) comments on the post-filing claims process conducted by the Monitor pursuant to the Post-Filing Claims Process Order;

- (c) provides the Monitor's recommendation as to the extension of the Stay of Proceedings up to and including December 31, 2022;
- (d) provides the Fund's receipts and disbursements for the period from to June 22, 2021 to March 24, 2022 with a variance analysis from the prior cash flow projections filed with this Court;
- (e) provides the Fund's cash flow projections for the period from March 25, 2022 to December 31, 2022;
- (f) comments on and provides the Monitor's recommendation as to the proposed extension of the term of the Investment Advisor Agreement with Crimson Capital Inc. ("**Crimson Capital**") to December 31, 2022; and
- (g) sets out next steps for the Fund in these CCAA Proceedings.

TERMS OF REFERENCE

9. In preparing this report, the Monitor has relied upon unaudited financial information, other information available to the Monitor, where appropriate the Fund's books and records and discussions with various parties and the Fund's investment and other advisors.

10. 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.

11. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

12. Capitalized terms used, but not defined, herein shall have the meanings ascribed to them in the affidavit of Ian Ross, sworn March 22, 2022 and filed (the “**Fund Affidavit**”).

13. This report should be read in conjunction with the Fund Affidavit as certain information included in the Fund Affidavit has not been repeated in this report to avoid unnecessary duplication.

STATUS OF THE PORTFOLIO

The Portfolio

14. At the commencement of the CCAA Proceedings, the Portfolio consisted of investments in 71 companies. These investments principally comprised minority equity and debt holdings in early to mid-stage private software, technology and biotech companies.

15. To date the Fund has divested its interest in all but 13 remaining Portfolio Companies, and the Monitor has been advised by Crimson Capital that 5 of the 13 investments have negligible value. In doing so, the Fund has recovered approximately \$57 million from well-timed divestitures which has enabled the Fund to satisfy all secured and unsecured creditor claims.

16. Through the pendency of these CCAA Proceedings, the Monitor has been cognizant of the need to balance the cost and length of these proceedings with the benefit of increased realizations resulting from an orderly disposition of the Portfolio. Because the Fund’s assets are illiquid minority investments in private companies, cessation of the orderly liquidation process and the termination of the CCAA Proceedings will likely result in little incremental value.

17. The Monitor is guided by the comments of Justice Dunphy in his endorsement dated June 29, 2021 and acknowledges the lengthy duration of these CCAA Proceedings and the view that it may be appropriate to sell some or all of the remaining Portfolio to a third party or parties willing to hold the Portfolio and divest its investments over time.

18. It is important to note that the Fund previously conducted a Sale Process for the Portfolio in 2013 around the commencement of the CCAA Proceedings with subsequent Market Checks in each of 2018 and 2019. At that point in time, the quantum value and number of investments comprising the Portfolio were significantly higher, and despite this, no viable offers were received.

19. With the assistance of Crimson Capital, the Fund has been able to successfully divest a significant portion of the Portfolio through appropriate market opportunities, with the Fund now holding certain investments that have yet to “mature” or other assets that are of negligible value. As stated in the Monitor’s Twenty- Eighth Report, the Monitor is of view that a further Sale Process conducted at this stage in the proceedings when there are limited remaining investments in the Portfolio would likely not result in a viable offer or an offer of any significant value and would likely require the Fund to incur material additional professional fees and expenses. It is the Monitor’s view, based on the results of the Market Checks, that any party willing to purchase the Portfolio would seek a significant discount to realizable value as that has been the case in previous Market Checks.

20. Crimson Capital has provided an estimate of potential realizations under a continued orderly realization. According to its estimates, the Fund could generate in late 2022, total additional gross proceeds of \$26.8 million (US \$21.3 million). The estimate has been adjusted

down slightly from a previous estimate in 2021, taking into account updated market information, however the variance is minor. In light of the potential for significant additional proceeds in 2022, as well as the costs of making interim distributions to Class A Shareholders, the Monitor is supportive of the Fund continuing its ongoing realization process throughout 2022, with a final distribution to be made once the remaining value investments have been sold.

21. The Monitor continues to review the Fund's position relative to the cost of the orderly liquidation process and will report to the Court if at any time it believes the costs of continuing to liquidate through the remainder of 2022 begin to outweigh the benefits to stakeholders.

22. Crimson Capital's estimate of potential realizations is included in Confidential Exhibit "C" of the Fund's Motion Record. The Monitor is of the view that the disclosure of the information contained in the estimate would prejudice the Fund's ability to maximize the realization on those assets. Accordingly, the Monitor supports the Fund's request for a sealing order.

CLAIMS PROCESS

23. On January 9, 2014, the Court approved the Pre-Filing Claims Process to identify, determine and resolve pre-filing claims of creditors of the Fund and its directors and officers.

24. All of the secured and unsecured claims that were filed in the Pre-Filing Claims Process have been resolved as a result of the efforts undertaken by the Fund and the Monitor over the course of these CCAA Proceedings. In particular, the Fund spent much of these proceedings in protracted litigation with the Former Manager, which concluded in August 2019.

25. Given the length of time of these proceedings, the Monitor commenced a post-filing claims process in accordance with the Post-Filing Claims Process Order. The Post-Filing Claims Bar Date (as defined in the Post-Filing Claims Process Order) for the submission of claims was January 21, 2022.

26. The Monitor received no post-filing claims other than a single shareholder claim, which constitutes an equity claim.

27. All creditor claims against the Fund have now been resolved. Only equity claims remain for distribution.

**ACTUAL RECEIPTS AND DISBURSEMENTS OF THE FUND FOR THE PERIOD
JUNE 22, 2021 to MARCH 24, 2022**

28. The Fund's actual net cash flow for the period from June 22, 2021 to March 24, 2022 (the "**Current Period**") compared to the forecast attached to the Monitor's Twenty-Seventh Report (the "**Prior Forecast**") is set out below. The Monitor notes the significant negative variance of \$14 million from the projected closing cash balance due delays in divesting certain Portfolio investments. The variance however is partially offset by lower than forecasted costs and professional fees as a result of the absence of such divestments.

GrowthWorks Canadian Fund Ltd.

Forecast v. Actual

Actuals as at March 24, 2022

(CAD in thousands)	Forecast	Actual	Variance
Beginning Cash Balance	5,420	5,420	-
Cash Flow from Operations			
Receipts	16,080	404	(15,675)
Fund Legal Fees - General	(239)	(137)	103
Fund Legal Fees - Litigation	(45)	-	45
Back Office and Administrative	(86)	(47)	39
CEO and Board Fees	(131)	(124)	6
Legal Fees re: Transactions	(169)	(8)	161
Other Expenses and Contingency	(97)	(47)	50
Realized FX Gain (Loss)	-	61	61
Operating Cash Flows	15,312	102	(15,210)
Monitor Fees	(130)	(83)	47
Counsel to the Monitor Fees	(22)	(27)	(5)
IAA Disbursements	(1,366)	(150)	1,216
Projected Net Cash Flow	13,794	(158)	(13,953)
Ending Cash Balance	19,214	5,262	(13,953)

THE FUND'S CASH FLOW FORECAST

29. The Fund has prepared a cash flow forecast for the period from March 25, 2022 to December 31, 2022 (the “Forecast”). A copy of the Forecast is attached as Appendix “A”. The Forecast shows a closing balance of approximately \$28.6 million. The Forecast is summarized below:

(CAD in thousands)	
	Total
Beginning Cash Balance	5,262
Cash Flow from Operations	
Receipts	26,759
Fund Legal Fees - General	(240)
Back Office and Administrative	(60)
CEO and Board Fees	(131)
Legal Fees re: Transactions	(421)
Other Expenses and Contingency	(103)
Operating Cash Flows	25,805
Monitor Fees	(153)
Counsel to the Monitor Fees	(51)
IAA Disbursements	(2,234)
Projected Net Cash Flow	23,367
Ending Cash Balance	28,628

30. It is anticipated that throughout the Forecast period, the Fund's projected liquidity requirements will be met from cash currently on hand and investment exits. It is anticipated that approximately \$26.8 million will be realized from investments during the proposed stay extension period, however, we note that timing and quantum of such receipts remain subject to change.

31. The estimates of General Legal Fees and the Monitor's fees included above are based on the assumption that a comprehensive mechanism which facilitates distributions to shareholders will occur and be subject to approval by the Court during the proposed stay period.

EXTENSION OF THE STAY OF PROCEEDINGS

32. The Monitor supports the Fund's request for a stay of proceedings up to and including December 31, 2022. This aligns with the time projected by Crimson Capital to obtain significant projected realizations.

33. As mentioned above, once the remaining investments of value that comprise the Portfolio have been realized, it is the intention of the Fund to seek a further order approving a distribution to its stakeholders. As there are investments in the Portfolio which the Fund's investment advisor has deemed to have negligible value, to the extent that such investments cannot be liquidated, the Fund will assess whether it would be preferable to donate such interests to a charitable organization so that the CCAA Proceedings may be terminated.

34. It is the view of the Monitor that the Fund has acted and continues to act in good faith and with due diligence and that circumstances exist that warrant an extension of the Stay of Proceedings to December 31, 2022.

EXTENSION OF INVESTMENT ADVISOR AGREEMENT

35. To allow the continued liquidation of the Fund's assets, the Fund requires Crimson Capital to continue managing the Fund. Accordingly, the Monitor supports the extension of the term of the Investment Advisor Agreement to December 31, 2022, which extension is consistent with prior Court approved extensions of the Investment Advisor Agreement.

NEXT STEPS IN THE CCAA PROCEEDINGS

36. The Fund, with the assistance of Crimson Capital and the Monitor, will continue to pursue an orderly liquidation of the remainder of the Portfolio. The Monitor will continue to periodically assess the benefit of continuing the orderly liquidation with stakeholder interests in mind.

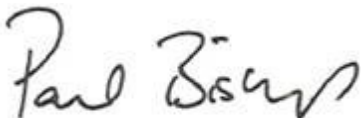
37. The Monitor anticipates returning to Court to approve a distribution to equity holders by the end of 2022 or early 2023 and will work with the Fund to develop and implement the method of such distribution.

The Monitor respectfully submits to the Court this Twenty-Ninth Report.

Dated this 27th day of March 2022.

FTI Consulting Canada Inc.

In its capacity as Monitor of GrowthWorks Canadian Fund Ltd. and not in its personal or corporate capacity

A handwritten signature in black ink that reads "Paul Bishop". The signature is written in a cursive, flowing style.

Paul Bishop
Senior Managing Director

APPENDIX “A”

GrowthWorks Canadian Fund Ltd.

APPLICANT'S EXTENDED 9 MONTH CASH FLOW FORECAST

(CAD in thousands)

Month Ending Forecast Month	31-Mar-22 0	30-Apr-22 1	31-May-22 2	30-Jun-22 3	31-Jul-22 4	31-Aug-22 5	30-Sep-22 6	31-Oct-22 7	30-Nov-22 8	31-Dec-22 9	Total
Beginning Cash Balance	5,262	5,172	12,072	11,931	27,361	27,198	27,074	27,011	26,914	26,776	5,262
Cash Flow from Operations											
Receipts	-	7,620	0.3	16,891	-	-	-	-	-	2,248	26,759
Fund Legal Fees - General	-	(25)	(20)	(15)	(15)	(10)	(10)	(15)	(60)	(70)	(240)
Back Office and Administrative	(22)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(60)
CEO and Board Fees	(7)	(28)	(7)	(7)	(28)	(7)	(7)	(28)	(7)	(7)	(131)
Legal Fees re: Transactions	-	(25)	(75)	(63)	(80)	(68)	(6)	(1)	(18)	(82)	(421)
Other Expenses and Contingency	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(103)
Operating Cash Flows	(39)	7,528	(116)	16,791	(138)	(100)	(38)	(59)	(100)	2,075	25,805
Monitor Fees	(28)	(11)	(11)	(11)	(11)	(11)	(11)	(17)	(17)	(23)	(153)
Counsel to the Monitor Fees	(10)	(2)	(2)	(2)	(2)	(2)	(2)	(10)	(10)	(10)	(51)
IAA Disbursements	(12)	(615)	(12)	(1,348)	(12)	(12)	(12)	(12)	(12)	(190)	(2,234)
Projected Net Cash Flow	(89)	6,900	(141)	15,430	(163)	(125)	(62)	(97)	(138)	1,853	23,367
Ending Cash Balance	5,172	12,072	11,931	27,361	27,198	27,074	27,011	26,914	26,776	28,628	28,628

Notes:

[1] The purpose of this cash flow forecast is to determine the liquidity requirements of the Applicant during the forecast period.

[2] Forecast Cash flow from operations assumptions are based on existing Accounts Payable.

[3] Monitor and Monitor's Counsel Fees include professional fees associated with the CCAA Proceedings, the Applicant's restructuring efforts.

Professional fee disbursement assumptions are based on budgeted time and expenses for the various legal and financial advisors expected to participate in the CCAA Proceedings.

[4] The opening cash balance contains \$3,627,183 USD which is converted at the March 24, 2022 Bank of Canada rate of 1.2545 CAD/USD.

[5] Forecast receipts are the result of anticipated proceeds from portfolio divestitures.

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Proceeding commenced at Toronto

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