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 PROPOSED PLAN OF COMPROMISE OR ARRANGEMENT WITH RESPECT TO GROWTHWORKS CANADIAN FUND LTD.

RESPONDING MOTION RECORD
(returnable February 17, 2015)

January 9, 2015

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ONTARIO
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Tab 1

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AND IN THE MATTER OF A PROPOSED PLAN OF COMPROMISE OR ARRANGEMENT WITH RESPECT TO GROWTHWORKS CANADIAN FUND LTD.

AMENDED NOTICE OF MOTION
(Returnable February 17, 2015)

GrowthWorks Canadian Fund Ltd. (the "**Fund**") will make a motion before a judge of the Ontario Superior Court of Justice (Commercial List) on February 17, 2015 at 10:00 a.m. or as soon after that time as the motion can be heard at 330 University Avenue, in the City of Toronto.

THE MOTION IS FOR an order:

(a) dismissing the claims made by GrowthWorks WV Management Ltd. (the "**Former Manager**") against the Fund as set out in the Former Manager's Notice of Cross-Motion served November 20, 2014;

(b) in the alternative, directing that the claims of the Former Manager asserted in its Cross-Motion be adjourned to be determined together with the Former Manager's claims made pursuant to the claims process order in the Fund's CCAA proceeding and the claims of the Fund against the Former Manager, as shall be set out in the defence and counter-claim of the Fund to be served and filed by the Fund at such future date as agreed between the parties or as ordered by this Court; and

(c) such other relief as this Honourable Court may allow.

THE GROUNDS FOR THE MOTION ARE:

1. The Fund is a labour-sponsored venture capital fund with investments in primarily illiquid securities consisting primarily of minority equity interests in private companies.

2. The Fund has been under *Companies' Creditors Arrangement Act* ("**CCAA**") protection since October 1, 2013, on which date an initial order was granted by Justice Newbould (as amended by order of Justice Mesbur dated October 29, 2014, the "**Initial Order**").

The Former Manager

3. Prior to these proceedings, under a management agreement between the Fund and GrowthWorks WV Management Ltd. dated July 15, 2006 (the "**Management Agreement**"), GrowthWorks WV Management Ltd. was required to provide all day-to-day management necessary for the conduct of the business of the Fund, including, among other things, investment management, administration services, accounting, record keeping, investor relations, public disclosure, regulatory obligations, retention of the auditor and maintenance of the shareholder register (the "**Services**"). GrowthWorks WV Management Ltd. delegated all its obligations under the Management Agreement to GrowthWorks Capital Ltd., an affiliate of Matrix Asset Management Inc., the parent corporation of GrowthWorks WV Management Ltd.

4. In return for providing these services, the Former Manager received management and administration fees based upon the net assets of the Fund (the "**Management**

Fees”). Over the last two fiscal years prior to the termination of the Management Agreement, the Fund paid approximately $14.3 million in Management Fees to the Former Manager.

5. The Former Manager was obliged to pay from its own resources, without reimbursement, all normal operating expenses of the Fund incurred in providing the Services, including audit and legal fees, premiums for directors’ and officers’ liability insurance, comprehensive business insurance and other expenses described in the Management Agreement.

Termination of the Management Agreement

6. On September 30, 2013, as a result of the Former Manager’s material defaults in respect of certain of its obligations, the Fund terminated the Management Agreement in accordance with its terms.

7. Section 8.5 of the Management Agreement provides that in the event that the Management Agreement is terminated by the Fund, the Former Manager must deliver to the Fund all records, including electronic records or data in a form accessible to the Fund, of or relating to the affairs of the Fund in its custody, possession or control (the “**Fund Records**”).

8. On October 31, 2014, the Fund served a Notice of Motion seeking an order compelling the Former Manager to deliver the Fund Records to the Fund. On November 20, 2014, the Former Manager served its response and a Cross-Motion for payment that the Former Manager claims is owed to it in respect of critical transitional services (the

"**Transcitional Services**") allegedly provided by the Former Manager after the termination of the Management Agreement.

9. The Fund and Former Manager have now settled a document request and delivery protocol (the "**Protocol**") to govern requests and deliveries of Fund Records going forward. The Fund now amends its Notice of Motion to reflect only the issues remaining in dispute between the Fund and Former Manager.

10. The Former Manager has made a claim in accordance with the claims process order in these CCAA proceedings for damages arising from the termination of its appointment as a manager under the Management Agreement. The Fund intends to defend this claim on the basis that the termination of the Management Agreement was valid in accordance with its terms, and no compensable damages were suffered by the Former Manager.

11. In its Cross-Motion, the Former Manager has claimed payment on account of:

(a) Concentra Financial Services Association ("**Concentra**"), the RRSP trustee in respect of some of the Fund's shareholders;

(b) UMP software licensing fees for software of Just Systems Inc. ("**Just Systems**") that was previously used by the Former Manager in its operations as manager of various investment funds;

(c) access fees allegedly paid to access FundSERV, a platform previously used by the Former Manager in its operations as manager of various investment Funds;

(d) fees for accounting services and the Former Manager's overhead for accounting services; and

(e) costs of the Former Manager to retain employees to maintain customer support services.

12. The Fund takes the position that the Former Manager has no basis to claim payment for items (a) to (c) as they are not proper Transitional Services under a critical transitional services agreement between the Fund and Former Manager (the "**CTSA**"), or a subsequent memorandum of understanding ("**MOU**") between the parties. The Fund disagrees with the Former Manager's method of calculation of the amounts of items (d) and (e) and denies that the Former Manager has any basis to claim these amounts.

13. In any event, the Fund has claims for damages against the Former Manager amounting to many millions of dollars, and which damages are continuing. The Fund will assert these claims by way of Counter-Claim against the Former Manager pursuant to the claims process order. The claims and counter-claims between the Fund and Former Manager are inextricably intertwined such that they can only be fairly determined together and must be heard in the same proceeding.

14. The Former Manager is an unsecured creditor of the Fund and its claims are unsecured claims. The Fund's priority is to first resolve all issues relating to its secured creditor, Roseway Capital S.a.r.l. ("**Roseway**"), including the satisfaction in full of Roseway's secured claims before dealing with any unsecured claims. It would be premature for the Fund to incur substantial expenditures litigating the Former Manager's unsecured claim before all secured claims have been satisfied.

15. The Fund relies upon the following:

(a) Section 11.02 and other provisions of the CCAA and the inherent and equitable jurisdiction of this Court;

(b) Rules 1.04, 2.03, 3.02 and 37 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended; and

(c) Such further and other grounds as counsel may advise and this Honourable Court may permit.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the motion:

1. Affidavit of C. Ian Ross sworn October 31, 2014 in support of this motion and exhibits thereto;

2. Affidavit of C. Ian Ross sworn January 9, 2015 in response to the Former Manager's Cross-Motion; and

3. Such further and other materials as counsel may advise and this Court may permit.

January 9, 2015

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Lawyers for the Applicant

TO: ATTACHED SERVICE LIST

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

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

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceeding commenced at Toronto

AMENDED NOTICE OF MOTION
(RETURNABLE FEBRUARY 17, 2015)

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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 PROPOSED PLAN OF COMPROMISE OR ARRANGEMENT WITH RESPECT TO GROWTHWORKS CANADIAN FUND LTD.
(the "**APPLICANT**")

APPLICATION UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, C. C-36, AS AMENDED

SERVICE LIST
(as of December 15, 2014)

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Tab 2

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

ONTARIO
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(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 PROPOSED PLAN OF COMPROMISE OR ARRANGEMENT WITH RESPECT TO GROWTHWORKS CANADIAN FUND LTD.

AFFIDAVIT OF C. IAN ROSS,
SWORN JANUARY 9, 2015
(Responding to Former Manager's Cross-Motion)

I, C. Ian Ross, of the Town of Blue Mountains, in the Province of Ontario, MAKE OATH AND SAY:

1. I am the Chairman of GrowthWorks Canadian Fund Ltd. (the "**Fund**"), the applicant in these proceedings. I am a director and interim chief executive officer of the Fund, in which role I am responsible for the daily operations of the Fund, acting under the oversight of the Fund's board of directors. As such, I have personal knowledge of the facts to which I depose, except where I have indicated that I have obtained facts from other sources, in which case I believe those facts to be true.

2. I swore an affidavit on October 31, 2014 in respect of the Fund's motion for the delivery of all records, including electronic records or data in a form accessible to the Fund, of or relating to the affairs of the Fund (the "**Fund Records**") in the possession, custody and control of GrowthWorks WV Management Ltd. (the "**Former Manager**") and GrowthWorks Capital Ltd. (the "**GWC**"). Since the filing of the Fund's motion record, certain of the issues to be decided

on that motion have been resolved between the Fund and Former Manager through the settlement of a protocol for delivery of documents between the parties (the "**Protocol**"), which was approved by this Honourable Court on November 27, 2014. Accordingly, the Fund has filed, on consent, an Amended Notice of Motion that includes only the issues that remain unresolved. There are also certain factual statements made in the Affidavit of Conrad Krebs-Carstens ("**Mr. Krebs-Carstens**") sworn November 14, 2013 that I address in this Affidavit.

3. I swear this Affidavit in support of the Fund's Amended Notice of Motion and in response to the Former Manager's Cross-Motion served November 20, 2014 for payment of $360,965.65 for the provision of transitional services to the Fund.

OVERVIEW

4. The Fund is a labour-sponsored venture capital fund with a diversified portfolio of investments in small and medium-sized Canadian businesses. Until September 30, 2013, the Fund was party to an amended and restated management agreement dated July 15, 2006 (the "**Management Agreement**") with the Former Manager, an arm's length party.

5. Pursuant to the Management Agreement, the Former Manager was retained to provide all day-to-day management and administrative services for the Fund, including all functions relating to raising the raising of equity, investor and shareholder relations, financing, accounting, portfolio management and maintaining books and records. The Former Manager delegated its duties under the Management Agreement to GrowthWorks Capital Ltd. ("**GWC**"), an affiliate of Matrix Asset Management Inc. ("**Matrix**"), the parent corporation of the Former Manager.

6. Because of the defaults of the Former Manager as described herein and because of its failures in its duties as manager of the Fund under the Management Agreement, the Fund terminated the Management Agreement on September 30, 2013.

7. Under the Management Agreement, the Former Manager continues to have duties to the Fund which survived the termination of the Management Agreement, including the duty to deliver to the Fund all Fund Records in the custody, possession or control of the Former Manager (the "**Duty to Return Records**") and the duty to use "reasonable commercial efforts to co-operate with the Fund and any successor manager to facilitate an orderly transition" (the "**Duty to Provide Transitional Services**" and the services to be provided under this duty are referred to herein as the "**Transitional Services**").

8. On October 1, 2013, the Fund obtained an order granting it protection under the *Companies' Creditors Arrangement Act* (the "**CCAA**"). This Honourable Court declared the Former Manager to be a critical supplier in the Fund's CCAA proceedings in respect of its Duty to Provide Transitional Services. For clarity of the scope of the Transitional Services to be provided by the Former Manager, the Fund and the Former Manager negotiated a critical transitional services agreement dated October 15, 2013 (the "**CTSA**"). The CTSA sets out the critical Transitional Services to be provided by the Former Manager, the compensation to be paid to the Former Manager as a critical supplier and the methodology for submitting invoices for approval and payment.

9. A further memorandum of understanding ("**MOU**") (described later in this affidavit) was negotiated between the Former Manager and the Fund in respect of additional Transitional Services that were not contemplated when the CTSA was signed and that the Fund required as a

result of the Former Manager's failure to comply with its obligations on termination of the Management Agreement.

10. In its motion, the Former Manager now claims $360,965.65 for services allegedly rendered by the Former Manager after October 1, 2013, including amounts in respect of:

(a) Accruals after the filing of these proceedings for the services of Concentra Financial Services Association ("**Concentra**") to act as RRSP trustee;

(b) UMP software licensing fees for software of Just Systems Inc. ("**Just Systems**", now The Investment Administration Solution Inc. ("**IAS**")) that was previously used by the Former Manager for the benefit of each of the investment funds it managed;

(c) access fees allegedly paid to access FundSERV, a platform previously used by the Former Manager for the benefit of each of the investment funds it managed;

(d) fees for accounting services and the Former Manager's overhead for accounting services;

(e) costs of the Former Manager to retain employees to maintain customer support services.

11. The Fund is not liable for these amounts claimed by the Former Manager. The items described in clauses (a), (b) and (c) of paragraph 10 are not Transitional Services and are not services for which the Fund is liable under the CTSA or the Management Agreement. With

regard to the amounts claimed in clauses (d) and (e) of paragraph 10, the Fund disagrees with the Former Manager's method of calculation of these charges.

12. This motion is an attempt to foist the costs the Former Manager incurred in operating its business as a fund manager for a variety of other investment funds on to the debtor in these CCAA proceedings. Further, in this motion, the Former Manager is seeking to benefit from its own breach of its Duty to Return Records. It is only because the Former Manager defaulted in its obligation to deliver to the Fund its shareholder register in the form required by the Management Agreement that it now claims compensation for maintaining software licenses to maintain the Fund's share register.

13. The Former Manager has submitted a claim pursuant to the claims procedure order made in these proceedings based on its allegation that the Fund improperly terminated the Management Agreement. The claims of the Former Manager are without merit and will be vigorously defended by the Fund.

14. As will be explained in this affidavit, the claims summarized in paragraphs 10(a), (b) and (c) above are based on agreements of the Former Manager with Concentra, Just Systems and FundSERV that it entered prior to these CCAA proceedings. Except for the MOU, there never was any agreement of the Fund to reimburse the Former Manager for any portion of these expenses. They are general operating expenses that the Former Manager incurred on its own account. In any event, the claims asserted in this motion are not for post-filing services provided to the Fund. If they are a claim at all, they are part of the claim asserted by the Former Manager in the claims process for damages arising from the termination of the Management Agreement and can only succeed if the termination was improper.

15. In any event, the Fund has many claims against the Former Manager, which will be asserted as counterclaims against the Former Manager in the process contemplated by the claims procedure order. The Fund is entitled to set off its claims against any amount owing to the Former Manager. Included in the Fund's offsetting claims are the following:

(a) costs in the amount of $419,412.33 paid to KPMG, the Fund's auditor, after the filing of these CCAA proceedings for arrears of payments that the Former Manager had failed to pay as required under the Management Agreement;

(b) legal and accounting expenses of at least $2,345,508 that were improperly withdrawn from the Fund's accounts by the Former Manager to cover its own legal and accounting costs;

(c) costs of separating the Fund's shareholder data from other shareholder data that the Former Manager inappropriately comingled with the Fund's data and damages resulting from the Fund's assumption of the risk of dealing with shareholder information not belonging to it;

(d) fees and expenses for annual RRSP services in respect of the 2013 and 2014 tax years;

(e) legal, financial advisory and accounting expenses incurred by the Fund to deal with the Former Manager's breach of its obligations under the Management Agreement;

(f) interest costs incurred by the Fund as a result of the Former Manager's breach of its obligations under the Management Agreement; and

(g) damages as a result of the Former Manager's breach of its obligations under the Management Agreement, including the standard of care required of it under the Management Agreement.

SCOPE OF THE MANAGEMENT AGREEMENT

16. As described in my Affidavit sworn October 31, 2014, and the Affidavit of Conrad Krebs-Carstens ("**Mr. Krebs-Carstens**") sworn November 19, 2014, the Fund was a party to the Management Agreement with the Former Manager, pursuant to which the Former Manager was required to provide management and administration services (collectively, the "**Services**") to the Fund. The Services are set out in Section 3.1 of the Management Agreement. A copy of the Management Agreement is appended to the Affidavit of Mr. Krebs-Carstens, filed by the Former Manager, at Exhibit "A".

17. The management Services were broad and included, among other things, responsibility on the part of the Former Manager for managing the day-to-day operations of the Fund; providing portfolio advisory and investment management services, including identifying and evaluating investment opportunities, structuring and negotiating prospective investments and recommending the timing, terms and method of acquiring and disposing of investments; and monitoring and enforcing agreements entered into by or on behalf of the Fund.

18. The administration Services were also broad and included, among other things, calculating the net asset value ("**NAV**") of the Fund; arranging for the provision of all requisite office facilities, personnel and other usual office services; preparing the Fund's prospectus and public disclosure documents such as annual and interim financial statements and management's report on financial performance; and providing share registrar and transfer agency services and

booking and internal accounting services. The Management Agreement also required the Former Manager to keep proper books of account and records for the Fund.

19. Under the Management Agreement, the Former Manager had broad authority to act in the name of and on behalf of the Fund, including opening and conducting business through bank accounts of the Fund. For example, the Former Manager used this authority to withdraw funds from the Fund's bank accounts to pay Management Fees and expenses of the Fund. As will be described later in this affidavit, the Former Manager misused its power and control over the Fund's bank accounts to use the Fund's money to pay legal and accounting expenses for which the Former Manager was responsible.

20. Prior to the termination of the Management Agreement, the Fund had no employees. The Fund and the independent members of the board of directors of the Fund (being all of the directors of the Fund other than David Levi ("**Mr. Levi**"), the Former Manager's representative; such independent directors are collectively referred to herein as the "**Board**") relied upon the Former Manager for the management of the Fund's day-to-day operations in accordance with the terms of the Management Agreement as well as strategic and financial advice, including projections as to the timing and quantum of expected dispositions of the Fund's venture investments, the desirability of additional investments in venture assets, and projections as to the Fund's liquidity, cash flows and expenses.

21. Moreover, the Former Manager was the public face of the Fund, including to investment advisors and their retail clients to whom the Former Manager marketed the Class A shares ("**Class A Shares**") of the Fund, securities regulatory authorities and other third parties.

22. The Management Agreement imposed certain other obligations on the Former Manager. Importantly, the Management Agreement required the Former Manager to:

(a) comply with securities laws and regulations and the requirements of the Canadian securities administrators and policy statements of securities regulatory authorities insofar as they related to the Former Manager's duties and obligations under the Management Agreement; and

(b) exercise the powers and authorities granted to it under the Management Agreement and to discharge its duties under the Management Agreement honestly, in good faith and in the best interests of the Fund and, in connection therewith, the Former Manager agreed to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances (the "**Standard of Care**").

23. The Management Agreement permitted the Former Manager to delegate any part of its duties and powers under the Management Agreement, subject to applicable laws. However, no such delegation would diminish the Standard of Care owed to the Fund with respect to the provision of Services. I understand that the Former Manager delegated most of its obligations under the Management Agreement to GWC, a subsidiary of the Former Manager. The Former Manager had advised the Fund that, prior to the termination of the Management Agreement, GWC was a "registrant" for purposes of applicable provincial securities laws and conducted those activities of the Former Manager which required registration under those laws.

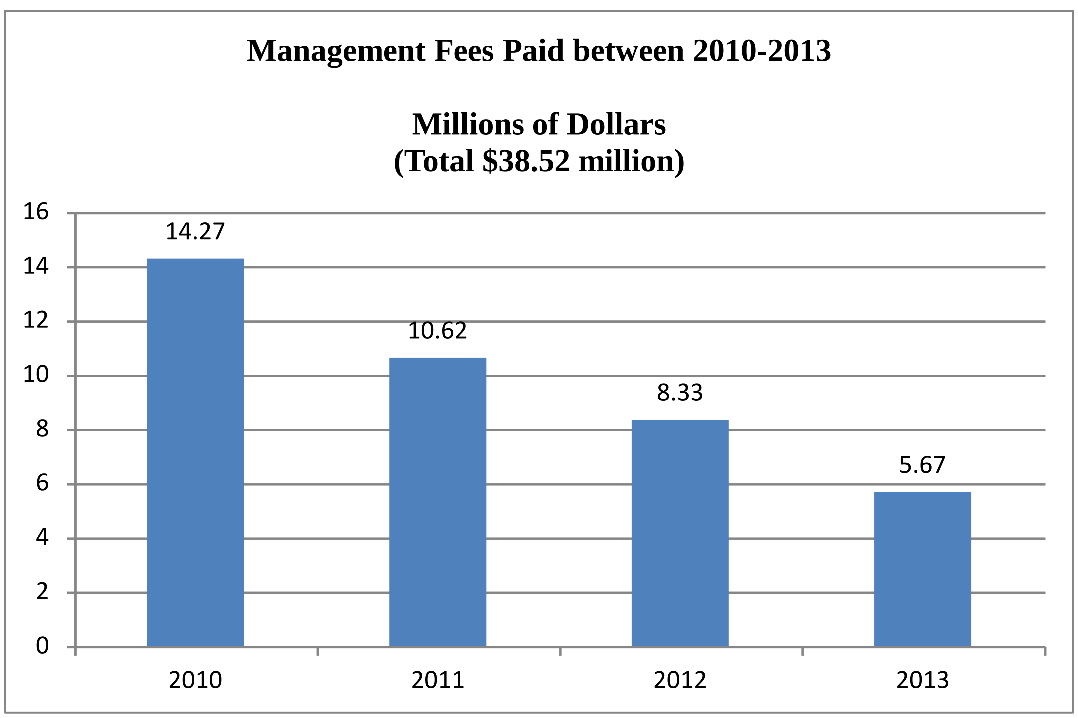
24. In return for providing the Services, the Former Manager received management and administration fees based primarily upon the NAV of the Fund (the "**Management Fees**"). As

noted above, the Former Manager calculated these Management Fees, which it then withdrew from the Fund's bank account over which it maintained signing authority.

25. The Former Manager was also entitled to receive additional compensation as the manager of the Fund based upon the returns realized by the Fund upon the disposition of the Fund's venture investments, in the form of dividends paid on the Class C shares of the Fund held by the Former Manager.

26. Those Management Fees were significant. As illustrated in the table below, for the fiscal years of the Fund ended August 31, 2013, 2012, 2011 and 2010, the Fund paid the Former Manager total management and administration fees of $38.52 million, in addition to several million dollars in dividend payments, of which $5.7 million of Management Fees were paid over the 12 months ending August 31, 2013.

Table 1. MANAGEMENT FEES PAID BY THE FUND TO THE MANAGER FOR FISCAL YEARS 2010, 2011, 2012 AND 2013



27. Under the Management Agreement, the Former Manager was obligated to pay all normal operating expenses of the Fund incurred in providing the Services (except for certain specified expenses), including, but not limited to, audit and legal fees, third party valuation fees, insurance premiums for directors and officers liability insurance and all required trustee, registrar and transfer agency fees.

28. As Mr. Krebs-Carstens acknowledges in his affidavit, the scope of the Services were broad, as the Fund had no employees and relied entirely upon the Former Manager for its day-to-day operations. The Management Agreement was structured on an “all-in” basis such that the Fund paid the Former Manager a fee calculated as a percentage of the NAV of the Fund and the Former Manager was responsible for virtually all expenses of the Fund over the life of the Fund.

29. In keeping with the “all-in” nature of the Management Agreement, senior officers of the Former Manager were appointed as the chief executive officer (Mr. Levi) and chief financial officer (Clint Matthews) of the Fund and the Former Manager’s legal counsel was appointed as the Fund’s corporate secretary. Those individuals held those positions with the Fund until the termination of the Management Agreement in September 2013.

SIGNIFICANT DEVELOPMENTS PRIOR TO THE TERMINATION OF THE MANAGEMENT AGREEMENT

30. Historically, the Fund’s only sources of cash flow were the net proceeds from sales of its Class A Shares and from dispositions of its venture investments. Funds raised from those activities were largely to be used to make venture capital investments recommended by the Former Manager, fund redemptions of Class A Shares and to pay Management Fees and dividends to the Former Manager.

31. The Class A Shares were marketed by the Former Manager to the public pursuant to a prospectus filed with Canadian securities regulatory authorities in certain provinces. Investors (all of whom were individuals or "retail investors") who purchased Class A Shares were entitled to receive certain tax credits so long as the investor held the Class A Shares for a minimum of eight years. Redemption prior to the eighth anniversary of the investment would result in recapture of tax credits claimed by the investor. The terms of the Class A Shares permit the holder to require the Fund to redeem their shares, subject to customary corporate law restrictions on share redemptions. The Class A Shares are not listed on any stock exchange and redemption represents the only practical means of disposing of the shares.

The Roseway Transaction

32. In 2009, the Fund began experiencing declining sales of its Class A Shares, which reduced the Fund's liquidity. Rather than suggest measures to preserve the existing liquidity of the Fund, the Former Manager recommended to the Board that the Fund raise $20 million from a third party in order to fund future investments in existing portfolio companies (or "follow-on investments") and working capital requirements, including the payment of future Management Fees to the Former Manager. The Former Manager's recommendation to the Board was supported by projections it had prepared to show that the Fund would benefit from the proposed fund raising that it had recommended. Further follow-on investments would increase the net assets of the Fund and therefore the Management Fees payable to the Former Manager, which, as noted above, were based upon the average NAV of the Fund.

33. On May 28, 2010, in reliance on that recommendation, the Fund entered into a participation agreement (the "**Participation Agreement**") with Roseway Capital L.P. (Roseway

Capital L.P. subsequently assigned all of its rights and obligations under the Participation Agreement to Roseway Capital S.a.r.l. ("**Roseway**")). Under the terms of that agreement, Roseway advanced to the Fund $20 million in exchange for a "participation interest" in a defined basket of the Fund's then existing venture investments (the "**Defined Portfolio**").

34. That participation interest generally entitles Roseway to receive 20% of the proceeds realized by the Fund on the disposition of investments in the Defined Portfolio. However, the Fund was required to make minimum annual participation payments to Roseway of $5.7 million for a period of three years (for a total of $17.1 million or at a rate of 28.5% per annum based on the original $20 million advance) regardless of the performance of the Defined Portfolio and to make a payment of $20 million to Roseway on May 28, 2013 (in this affidavit, the Fund's payment obligations under the Participation Agreement are referred to as the "**Roseway Obligations**").

35. The Roseway Obligations are secured by way of a security interest over all of the Fund's assets (subject to certain exceptions) granted by the Fund in favour of Roseway pursuant to a security agreement dated May 28, 2010 (the "**Roseway Security Agreement**" and, together with the Participation Agreement, the "**Roseway Documents**"). Under the terms of the Roseway Security Agreement, Roseway is entitled to receive interest at the rate of 20% per annum plus payment of certain fees and expenses following a default by the Fund in payment of the Roseway Obligations.

36. The Former Manager structured and negotiated on behalf of the Fund the terms of the transactions (the "**Roseway Transactions**") contemplated by the Roseway Documents, which amount to a secured obligation of Fund with a very high rate of return.

37. In considering the Roseway Transactions, the Board relied heavily on the Former Manager's recommendation in favour of the Roseway Transactions and on the Former Manager's financial projections as to the timing and quantum of future divestments of the Fund's venture investments, the Fund's future cash flows, expenses and liquidity, and its ability to meet its payment obligations under the Participation Agreement, as well as the Former Manager's representations as to its expertise and experience in managing labour-sponsored venture capital corporations ("**LSVCCs**") such as the Fund; the same "extensive experience in making venture capital investments and managing LSVCCs" attributed to the Former Manager and its related companies by Mr. Krebs-Carstens in his affidavit of November 19, 2014.

38. Concurrently with the execution of the Participation Agreement, the Former Manager entered into a defined portfolio services agreement with Roseway pursuant to which the Former Manager agreed to provide certain monitoring and reporting services to Roseway in relation to the Defined Portfolio in exchange for an annual fee of approximately $100,000. At the same time, the Former Manager agreed to reduce the annual Management Fees charged to the Fund by an equivalent amount. Despite requests made by the Fund of the Former Manager for evidence that the Management Fees had been so reduced, I am not aware of that action having been taken by the Former Manager.

The WOF Loan

39. By the beginning of 2011, the Fund again required further liquidity to fund its expenses and, in response, the Former Manager recommended to the Board that the Fund borrow up to $11 million (the "**WOF Loan**") from another investment fund managed by the Former Manager, Working Opportunity Fund (EVCC) Ltd. ("**WOF**"). The WOF Loan bore interest at the rate of

12% per annum and originally matured on March 31, 2012. The WOF Loan was secured by a charge over the Fund's assets pursuant to a security agreement dated as March 31, 2011 between the Fund, WOF and 2275177 Ontario Inc., a company controlled by the Former Manager.

40. The terms of the WOF Loan and related security were structured and negotiated on behalf of the Fund by the Former Manager. In considering the WOF Loan, the Board relied heavily upon the Former Manager's recommendation in favour of the WOF Loan and its financial projections as to the timing and quantum of future dispositions of investments within the Fund's venture portfolio, the Fund's cash flows, expenses and liquidity, and the Fund's ability to satisfy its respective payment obligations under the Participation Agreement and the WOF Loan, and upon the Former Manager's advice as to other funding alternatives available to the Fund, as well as the Former Manager's representations as to its expertise in managing LSVCCs and venture capital investing.

Sales and Redemptions of Class A Shares Cease

41. By the fall of 2011, sales of Class A Shares had decreased significantly and the Former Manager recommended to the Fund that it cease further sales of its shares. The Board accepted the Former Manager's recommendation and on September 30, 2011 the Fund announced that it would no longer offer the Class A Shares for sale, thereby eliminating a key source of funding. This recommendation also had the effect of reducing the Services to be performed by the Former Manager under the Management Agreement and the related costs to it. The Management Fee structure did not, however, change.

42. In November 2011, the Board concluded that the Fund's liquidity was no longer sufficient to support continued redemptions of Class A Shares and satisfy its liabilities, including

minimum participation payments to Roseway under the Participation Agreement, principal and interest payments under the WOF Loan and Management Fees. As a result, the Fund suspended redemptions of Class A Shares in order to conserve the Fund's cash resources. That restriction on Class A Share redemptions has remained in effect ever since.

43. The decision to suspend redemptions also had the effect of further reducing the Former Manager's workload under the Management Agreement, without any reduction in the Management Fees.

44. Throughout the period from 2011 through to the fall of 2013, the Board raised with Mr. Levi, a director of the Fund and the chief executive officer of the Former Manager and GWC at that time, the need to discuss and examine a restructuring of the Management Fees in order to reduce the strain of those fees on the Fund's liquidity. On each of those occasions, Mr. Levi, on behalf of the Former Manager, refused to discuss any reduction in the Management Fees.

The Matrix Loan

45. The Fund continued to face liquidity challenges through early 2012. In response, the Former Manager negotiated an extension of the WOF Loan maturity date in exchange for an extension fee and recommended that the Fund take on additional debt by way of a $4 million loan (the "**Matrix Loan**") from Matrix, the parent corporation of the Former Manager. The bulk of the proceeds from the Matrix Loan were used to pay Management Fees to the Former Manager.

46. The Matrix Loan originally matured on July 31, 2014, bore interest at 18% per annum and was secured by a charge over all of the Fund's assets. I understand that the Matrix Loan was

funded by way of a loan (the "**Growthpoint Loan**") by Growthpoint Capital Corp. ("**Growthpoint**") to Matrix made under a loan agreement dated May 18, 2012 (the "**Growthpoint Loan Agreement**").

47. Under the terms of the Matrix Loan, an event of default under that loan would occur (and the Fund would be required to repay the Matrix Loan) if Matrix's debt under the Growthpoint Loan was accelerated upon the occurrence of an event of default specified in the Growthpoint Loan Agreement. The events of default under the Growthpoint Loan Agreement included (i) a failure by the Fund or by GrowthWorks Commercialization Fund Ltd., another investment fund managed by the Former Manager, to pay when due any management fees owing to the Former Manager, (ii) a reduction of more than 30% of those management fees, or (iii) a breach of any of Matrix's covenants under the Growthpoint Loan Agreement. Those covenants restricted the Former Manager from amending the Management Agreement without the consent of Growthpoint.

48. The effect of the default provisions of the Matrix Loan and the Growthpoint Loan was to put the Fund at risk of a liquidity crisis should it be unable to pay Management Fees to the Former Manager.

49. The terms of the Matrix Loan and the Growthpoint Loan and related security were structured and negotiated by the Former Manager. In considering the Matrix Loan and the Fund's strategic alternatives, the Board relied heavily upon the Former Manager's recommendation in favour of the Matrix Loan, the Former Manager's financial projections as to the timing and quantum of future dispositions of investments within the Fund's venture portfolio, the Fund's cash flows, expenses and liquidity, the Fund's ability to satisfy its respective payment

obligations under the Participation Agreement the WOF Loan and the Matrix Loan, and upon the Former Manager's advice as to the strategic alternatives available to the Fund, as well as the Former Manager's representations as to its expertise in managing LSVCCs and venture capital investing.

The Newbury Transaction

50. By the second quarter of 2012, the Board had become increasingly concerned about the Fund's ability to repay the WOF Loan, which was due to mature in late December 2012. To address these concerns, the Board caused the Fund to retain an independent financial advisor to work with the Former Manager to solicit expressions of interest for a possible sale of a portion of the Fund's investment portfolio as a means of addressing the Fund's payment obligations, particularly those coming due under the WOF Loan later that year. That process resulted in the Fund completing a sale of certain of its venture investments (the "**Newbury Transaction**") to a third party, Newbury Equity Partners ("**Newbury**"), at the end of 2012, albeit at a substantial discount to the value ascribed to those investments by the Former Manager in its calculation of NAV. In connection with that transaction, Newbury retained the Former Manager to manage the investments sold to Newbury in exchange for certain management fees.

51. In attempting to complete the Newbury Transaction, the Fund discovered that the Former Manager had failed to keep proper records with respect to the investments to be sold to Newbury and to maintain proper custody of the relevant securities, all of which unnecessarily complicated the transaction and increased the Fund's transaction costs.

52. The Newbury Transaction was necessary because the Fund lacked sufficient cash to repay the WOF Loan when due and WOF was not prepared to extend the maturity date of the

WOF Loan past that date. In fact, I had to step in to negotiate a short extension of the WOF Loan maturity to December 31, 2012 and to press Newbury to close the Newbury Transaction by the extended maturity date when the Former Manager was unsuccessful in closing the Newbury Transaction in time. A significant portion of the proceeds from the Newbury Transaction were used to repay the WOF Loan and avoid an insolvency of the Fund at that time.

53. In considering the sale transaction with Newbury, the Board relied heavily upon the Former Manager's recommendation in favour of that transaction; the Former Manager's financial projections as to the timing and quantum of future dispositions of investments within the Fund's venture portfolio, the Fund's cash flows, expenses and liquidity, the Fund's ability to satisfy its respective payment obligations under the Participation Agreement, the WOF Loan, and the Matrix Loan; the Former Manager's advice as to the strategic alternatives available to the Fund; as well as the Former Manager's representations as to its expertise in managing LSVCCs and venture capital investing.

The Board's Review of Strategic Alternatives

54. Contrary to the allegations in the affidavit of Mr. Krebs-Carstens and in the Former Manager's Notice of Cross-Motion and Statement of Claim, there was no strategy to terminate the Former Manager.

55. As the Fund's liquidity situation deteriorated, the Board took deliberate steps to address the pending liquidity crisis facing the Fund and examine the Fund's strategic alternatives, all with a view to preserving the value of the Fund's investments in the interests of the Fund's shareholders. The Board, through a special committee of the board of directors (the "**Special Committee**"), increased its oversight by closely monitoring the Fund's liquidity, exploring

strategic alternatives and increasing the Board's scrutiny of the Former Manager's acts and omissions as the Fund's manager. The Special Committee met regularly throughout the fall of 2012 and throughout 2013.

56. In connection with its review, in early 2013 the Special Committee retained CCC Investment Banking ("**CCC**") as its independent financial advisor for the purpose of advising the Board as to the strategic alternatives available to the Fund.

57. In April 2013, CCC delivered to the Board its written Strategic Options Report. In its report, CCC examined several strategic alternatives, including renegotiation of the Fund's payment obligations; refinancing the Fund's payment obligations; selling the Fund's entire investment portfolio *en bloc*; selling the portfolio in segments by industry; liquidating the Fund's investments in an orderly manner; merging the Fund with another LSVCC; at the suggestion of the Former Manager, converting the Fund to a closed-end investment fund operated by the Former Manager; and seeking creditor protection under the CCAA.

58. Based upon the CCC report, the Board then elected to pursue, with the assistance of its financial and legal advisors, a multi-pronged approach to resolving the issues then facing the Fund, which included discussions with Roseway and Growthpoint regarding a restructuring of the Fund's payment obligations to those parties; soliciting interest from third party lenders willing to refinance the Fund's existing payment obligations; pursuing discussions with other LSVCCs with a view to a possible merger with the Fund; and preparing for the possibility that the Fund would be required to seek creditor protection in order to preserve the value of the Fund's assets should the Fund be unable to pay or restructure the Roseway Obligations and its

other payment obligations. Throughout this process, the Former Manager continued in its role as manager of the Fund and Mr. Levi remained a member of the Fund's board of directors.

59. As I indicated in my affidavit made September 30, 2013, those efforts led to discussions with several LSVCCs, one of whom elected to submit to the Fund a proposal to merge with the Fund. The transaction terms proposed by that other LSVCC included a provision whereby it would act as the manager of the combined funds following the merger instead of the Former Manager, as the merged funds could not practically have two managers. This was not a term proposed by the Fund. That transaction did not proceed.

60. Despite the significant Management Fees paid by the Fund to the Former Manager, the Former Manager failed to adhere to the Standard of Care required under the Management Agreement, including its obligation to exercise reasonable care and diligence in performing its duties under the Management Agreement. This became apparent to the Fund midway through 2013 as a result of two significant developments: the Fund's attempts to restructure its arrangements with Roseway and avoid defaulting on the Roseway Obligations; and an investigation by securities regulators into the affairs of the Former Manager and its subsidiary, GWC. These events are described below.

Discussions with Roseway and the Roseway Investigation

61. A number of the Fund's investments that were sold to Newbury formed part of the Defined Portfolio for purposes of the Participation Agreement. In January of 2013, Roseway advised the Fund that it wished to discuss the terms of the Newbury Transaction and examine prior transactions within the Defined Portfolio with a view to determining whether the Former

Manager had kept proper accounts with respect to those transactions (the "**Roseway Reconciliation**") since the inception of the Participation Agreement.

62. At the same time, the Board wished to initiate discussions with Roseway about restructuring the $25.7 million in payments due to Roseway on May 28, 2013 (comprised of the final minimum participation payment of $5.7 million and the $20 million payment under the Participation Agreement), as it was not clear at that time that the Fund would have sufficient cash to make those payments when due.

63. Initially, Mr. Levi led those discussions with Roseway on behalf of the Fund in his capacity as chief executive officer. However, Mr. Levi and other representatives of the Former Manager were incapable or unwilling to advance those discussions and lost the confidence of the Board. Further, Roseway indicated to me and the Fund's advisors that the Former Manager did not have the trust or confidence of Roseway. As a result and given the severity of the Fund's liquidity problems, the Special Committee took over those discussions on behalf of the Fund and provided access to Roseway's accounting advisors, PricewaterhouseCoopers LLP ("**PWC**"), to enable PWC to conduct the Roseway Reconciliation.

64. The Fund was unable to make the $25.7 million payment due to Roseway on May 28, 2013 but the Special Committee negotiated an extension of that deadline to June 14, 2013. Subsequent extensions and waivers of certain requirements of the Roseway Documents were later negotiated by the Special Committee between June and September of 2013.

65. In its report, which was delivered to the Fund in late June 2013, PWC identified a large number of irregularities and mistakes in the Fund's records prepared by the Former Manager involving a number of investments within the Defined Portfolio.

66. For example, PWC discovered a number of failures on the part of the Former Manager to properly book and account for certain aspects of a follow-on investment by the Fund in securities of Cytochroma Canada Inc. ("**Cytochroma**") in which Roseway had participated, including a failure by the Former Manager to have the relevant Cytochroma securities registered in the name of and held by the Fund. Those errors were confirmed by the Former Manager in a memorandum to the Audit Committee of the Board on June 4, 2013.

67. However, equally troubling, was the fact that, as part of PWC's investigation, Roseway produced a document (the "**Acknowledgement and Receipt**"), signed on behalf of the Fund by Joseph Regan ("**Mr. Regan**"), then an officer of the Former Manager, which purported to amend the terms of the Participation Agreement so as to grant to Roseway 100% of the proceeds from the investment in Cytochroma acquired with funds provided by Roseway, instead of the 14% interest that would otherwise accrue to Roseway under the terms of the Participation Agreement. Tim Lee ("**Mr. Lee**"), the Chief Investment Officer of the Former Manager, professed to be unaware of that document's existence but did not dispute that Mr. Regan had signed the document on behalf of the Fund notwithstanding that, according to Mr. Lee, the Former Manager had not granted Mr. Regan authority to execute documents on behalf of the Fund. It appears that the Former Manager failed to properly review and understand the import of the Acknowledgement and Receipt.

68. The Former Manager's actions in the Cytochroma matter have led to a dispute between the Fund and Roseway involving several million dollars and caused the Fund to incur significant advisory and other expenses. The failure by the Former Manager to properly account for the Cytochroma transaction also made more complicated and costly the audit of the Fund's 2013 annual financial statements, during which it was determined that the Former Manager failed to

arrange for any tax analysis of a sale of Cytochroma in 2013 and the admission by the Former Manager that it did not fully understand the transaction despite the significance of the transaction to the Fund.

69. The Roseway Reconciliation illustrated a number of examples of the Former Manager's material breach of its Standard of Care under the Management Agreement, with the result that the Fund was required to make additional payments to Roseway in connection with its restructuring discussions at a time when it could least afford to do so, in an effort to avoid a default under the Roseway Documents and the adverse consequences that would flow from such an event. PWC's findings only contributed to Roseway's lack of confidence and trust in the Former Manager and made those discussions more difficult.

The BCSC Investigation and Report

70. On April 18, 2013, the Former Manager advised the Fund that the British Columbia Securities Commission ("**BCSC**") had issued the results of its compliance field examination (including a subsequent letter of the BCSC dated April 30, 2013, the "**BCSC Deficiencies Report**"), the purpose of which was to assess the Former Manager's overall business conduct, system of compliance and internal controls against the regulatory requirements of BC's securities legislation. The BCSC indicated in its reports that its examiners spent a total of 1,137 hours in conducting their review.

71. The findings contained in the BCSC Deficiencies Report were disturbing. The BCSC identified at least nine significant deficiencies in the conduct of the Former Manager and GWC under British Columbia securities laws. In particular, the BCSC found that the Former Manager and its delegate GWC had breached their fiduciary duty to the Fund by failing to consider all the

scenarios and actions for dealing with the Fund's distressed financial situation and "did not exercise the powers and discharge the duties of [their] office in the best interests of the Fund, nor did [the Former Manager] exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances." In its report, the BCSC noted that "we have significant concerns about [the Former Manager's and GWC's] conduct as a portfolio manager and as investment fund manager."

72. The BCSC also found that the Former Manager did not deal fairly with the Fund by recommending that it borrow $33.5 million over two years from May 2010 to May 2012, contrary to applicable securities laws and the Former Manager's own policies and procedures manuals. The BCSC also determined that, contrary to applicable securities laws, the Former Manager "failed to establish, maintain, and apply policies and procedures that establish a system of controls and supervision sufficient to provide reasonable assurance that the firm and each individual acting on its behalf complies with securities legislation and manage the risks associated with its business in accordance with prudent business practices."

73. As a result of the BCSC Deficiencies Report, I understand that GWC was required to provide certain undertakings to the BCSC which, among other things, restricted the Former Manager and GWC from recommending any transactions between the Fund and any other investment funds managed by them.

74. On August 22, 2013, the Former Manager advised the Board that GWC was in breach of National Instrument 21-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations for failing to maintain sufficient regulatory capital and that the BCSC had placed conditions upon it as a registrant for securities laws purposes.

75. The breaches of securities laws found by the BCSC are breaches of the covenants of the Former Manager under the Management Agreement and are one of the reasons for the termination of the Management Agreement. In my view, these serious findings by BCSC confirm the conclusions that we, as the Board, came to during 2013 as we addressed the liquidity crisis that then faced the Fund and which was the direct result of accepting the Former Manager's recommendations in respect of the Participation Agreement, the WOF Loan and the Matrix Loan. Those recommendations reflected the Former Manager's poor judgment and failure to properly satisfy its Standard of Care and other obligations under the Management Agreement which have materially contributed to the Fund's distressed financial state and has caused the Fund to incur substantial professional and legal fees and other obligations.

The Former Manager's Misuse of Authority under the Management Agreement

76. In June 2013, the Fund discovered that the Former Manager had improperly used its control of the Fund's bank accounts to use the Fund's money to pay legal and accounting expenses that the Former Manager was required to pay under the terms of the Management Agreement. Those expenses, which related to the fiscal years 2011, 2012 and 2013 amounted to approximately $2,345,508. The Fund advised the Former Manager of these breaches of the Management Agreement by letters dated June 18, 2013 and September 19, 2013, attached hereto as Exhibits "**A**" and "**B**" respectively. This dispute remains outstanding.

TERMINATION OF THE MANAGEMENT AGREEMENT

77. Under the Management Agreement, the Fund had the right to terminate the Agreement upon a material breach by the Former Manager of its obligations under the Management Agreement. Section 8.2 of the Management Agreement provides:

> **8.2** **<u>Earlier Termination by a Fund</u>** - The Fund may terminate this Agreement (subject to compliance with any applicable requirements of corporate or securities laws, regulations or policies) as follows:
>
> …
>
> (c) upon a material breach of this Agreement by the Manager where written notice of such breach is given to the Manager by the Fund and, if such breach is capable of being remedied, the Manager has not remedied the breach within 60 days after such notice is received by the Manager;
>
> (d) immediately, upon the Manager failing to maintain all necessary securities registrations.

78. On September 30, 2013, the Fund gave written notice that the Former Manager was in material breach of the Management Agreement and that the Fund had exercised its right to terminate the Management Agreement, effective immediately as the breaches were not capable of remedy. The Fund's letter to the Former Manager setting out the grounds for termination is appended hereto as Exhibit "**C**". The Former Manager's breaches included, among other things:

(a) failing to satisfy its Standard of Care by not exercising the powers and discharge of the duties of its office in the best interests of the Fund, not exercising the degree of care, diligence, and skill that a reasonably prudent person would exercise in the circumstances, and preferring its own interests to those of the Fund and the other funds managed by the Former Manager and GWC;

(b) failing to comply with applicable securities laws; and

(c) failing to keep proper books of account and records.

79. Due to these serious breaches of the Former Manager's Standard of Care and its duties and obligations under the Management Agreement, the Fund took necessary steps to ensure that it and its shareholders were protected from further breaches by the Former Manager. Further, the Former Manager was incapable of managing the Fund's restructuring efforts as it had lost the confidence of the Board and of Roseway, the Fund's secured creditor.

The Fund's CCAA Proceedings

80. In late September of 2013, Roseway advised the Fund that it was not prepared to extend the payment deadline for the Roseway Obligations past September 30, 2013. Accordingly, the Fund, faced with a liquidity crisis precipitated by the mismanagement of the Fund by the Former Manager, filed for protection under the CCAA as a result of the Fund's insolvency.

81. The CCAA filing was not related to any conspiracy or plan to terminate the Former Manager, but was a necessary step to preserve the Fund's assets in the face of Roseway's remedies as a secured creditor arising on the Fund's default of the Roseway Obligations. Since early 2013, the Fund had engaged in ongoing negotiations with its secured creditor, Roseway, over payment terms. In September 2013, Roseway indicated that it would not extend the time for payment beyond September 30, 2013.

82. As indicated above, prior to the commencement of these CCAA proceedings, the Board, with the assistance of its independent financial advisor, CCC, also attempted to pursue other alternatives to a CCAA application, including a possible merger with another LSVCC, a sale of

the Fund's investment portfolio and discussions with potential lenders to raise sufficient debt to repay amounts owing to Roseway.

83. In a sale and investment solicitation process ("**SISP**") within the CCAA Proceedings commencing on December 13, 2013, the Fund received seven letters of intent resulting in two offers of interest in the second phase of the SISP on December 20, 2013. Contrary to paragraph 52 of Mr. Krebs-Carsten's affidavit, the Fund never entered into any confidential letter agreements with any potential merger partners.

84. Ultimately, the SISP produced no offers that were acceptable to the Fund. One offer was made at a price that would have been insufficient to pay the Fund's secured claims, and the other was an offer to manage the Fund's assets without an asset sale. Neither option was beneficial to the Fund or its stakeholders. By February 2014 it was clear that there would be no merger or other sale transaction and the Board concluded that an orderly disposition of the Fund's investment portfolio would be most likely to maximize the value of the portfolio and therefore was in the best interests of the Fund.

85. On May 14, 2014, with court approval, the Fund retained Roseway, its secured creditor, as an investment advisor to the Fund in connection with the management of its investment portfolio with a view to preserving the value of the portfolio (including through the making of follow-on investments when appropriate) and benefiting from disposition opportunities as they arise over time. The Fund is in the process of further sub-contracting its administrative functions. The Board and I, as chairman and interim CEO, are dealing with the remaining disputed claims in these CCAA proceedings, including the invalid claim of the Former Manager and the remaining issues with Roseway.

86. The Former Manager was kept apprised of the Fund's plans for a CCAA application. Mr. Levi, an employee of the Former Manager, sat on the Fund's board of directors until December 6, 2013. Other than his inability to participate in discussions relating to the termination of the Management Agreement because of conflicts of interests, he was provided with all possible disclosure. The Former Manager has been represented by counsel throughout these CCAA proceedings and is on the service list for all motions.

Former Manager's Action and Claim for Payment

87. The Former Manager has made a claim pursuant to the claims process order within these CCAA proceedings for damages in excess of $18 million as a result of the termination of the Management Agreement, which it claims was wrongful. The Fund has not filed a defence and counterclaim to the Former Manager's claim. The Former Manager 's claim was one of three significant unsecured claims submitted pursuant to the claims order. On December 18, 2014, this Honourable Court approved transactions that provided for settlements of the other two significant claims. The settlement with Allen-Vanguard Corporation, which is expected to result in the recovery in excess of $1 million by the Fund, was completed by the end of December 2014 as agreed. The other approved settlement is connected to a sale of the Fund's interest in a portfolio company Advanced Glazing Technologies Limited, which is expected to close this month. In both cases, the Fund will generate proceeds it can use to reduce its secured Roseway Obligations and, for that, and other reasons, resolving those claims was a priority for the Fund.

88. There is no similar priority to resolving the Former Manager's unsecured claim against the Fund. The Roseway Obligations have not been paid in full and a significant portion of the Roseway Obligations is in dispute. The Fund's priority should be to use its existing resources

first to deal with Roseway as its secured creditor – both through realization of proceeds from its assets and through settlement or adjudication of the disputed portion of Roseway's claim.

89. The litigation of the Former Manager's claim, including the claims asserted in this Cross-Motion, will be complex and time consuming. The Fund denies that it improperly terminated the Management Agreement. The Fund was entitled to terminate the Management Agreement and the Former Manager's appointment as manager under the Management Agreement. Termination of the Management Agreement was a necessary step in the restructuring of the Fund in these CCAA proceedings. I firmly believe that the Fund will prevail in its defence of the Former Manager's claim and will obtain a judgment against the Former Manager for its counterclaims, which are outlined in this affidavit.

90. As I have stated, the claims of the Former Manager asserted in this Cross-Motion are just part of its claim for termination of the Management Agreement and should be dismissed because the Fund was entitled to terminate the Management Agreement. However, in the balance of this affidavit, I will address the specific claims made in this Cross-Motion.

91. In the affidavit of Mr. Krebs-Carstens, the Former Manager asserts the following claims:

(a) $94,781.29 for fees allegedly paid to Concentra for continuing to act as RRSP trustee for certain shareholders of the Fund after these CCAA proceedings were commenced;

(b) $67,259.51 in respect of the fees allegedly paid to Just Systems for the UMP Software license between Just Systems and the Former Manager;

(c) $34,627 in respect of a portion of fees allegedly paid by the Former Manager under its arrangement with FundSERV;

(d) $69,666.89 in respect of accounting services and the Former Manager's overhead expenses relating to the provision of accounting services; and

(e) $94,630.96 in respect of the Former Manager's employment and overhead costs to maintain a customer support services team.

92. For the reasons set out below, the Fund denies that any of the foregoing amounts are owing by the Fund to the Former Manager.

The Critical Transitional Services

93. The Former Manager has continuing obligations to the Fund following termination of the Management Agreement. Section 8.4 of the Management Agreement provides:

> 8.4 Successor – Upon termination of this Agreement under Sections 8.2 or 8.3
>
> (a) the Manager shall use reasonable commercial efforts to cooperate with the Fund and any successor manager to facilitate an orderly transition such that the Services will be provided to the Fund by the successor without delay or compromise of service; and,
>
> (b) the successor manager shall fully assume, without recourse to the Manager, the balance on the date of termination of all borrowings approved by the Fund under Section 6.3.
>
> While any borrowings approved by the Fund under Section 6.3 are outstanding, neither Fund will seek a dissolution, winding-up or termination of the Fund without the written concurrence of the Manager.

94. For the Former Manager's supply of Transitional Services, the Fund was required to make payment pursuant to Section 8.6 of the Management Agreement:

> 8.6 Payments on Termination – Upon termination of this Agreement, the Fund shall pay to the Manager:
>
> (a) any unpaid Management Fees and Administration Fees, calculated in accordance with Section 5.5, and any reimbursable expenses accruing to the date of termination; and
>
> (b) if this Agreement is terminated pursuant to Section 8.2, all reasonable transfer, wind-down and transition costs incurred or put to the Manager as a result of having to transition operations to a successor manager.
>
> The Manager shall calculate the amounts payable to the Manager under (a) and (b) above and the Fund shall pay such amounts to the Manager on or about the 25th Business Day after receipt by the Fund of an invoice for the same.

95. The Former Manager is designated as a critical supplier in the Fund's CCAA proceedings, as the post-termination obligations survived the termination of the Management Agreement, and the Fund required the Former Manager to perform these Transitional Services in order that the Fund could assume performance of the Services previously performed by the Former Manager.

96. To delineate the scope of the critical Transitional Services the Fund then required to be supplied by the Former Manager, the Fund and Former Manager entered into the CTSA on October 15, 2013, which set out certain critical Transitional Services that the Former Manager was to perform as a critical supplier and a methodology for calculating and paying the Former Manager's fees associated with delivering such critical Transitional Services.

97. The Initial Order granted on September 30, 2013 had initially provided a critical supplier's charge for the lesser of the value of goods and services provided less all amounts paid to the critical supplier, the amount the Former Manager was entitled to receive pursuant to section 8.6(b) of the Management Agreement, or $50,000. In the amended and restated Initial

Order of Justice Mesbur dated October 29, 2014, the reference to section 8.6(b) of the Management Agreement was replaced with a reference to the newly-negotiated CTSA.

98. The CTSA obliges the Former Manager to provide the following Transitional Services:

(a) assistance with the Fund's ongoing audit and valuation for fiscal 2013, including signing the related management representation letter;

(b) providing to the Fund copies of any agreements, retainer letters or other paperwork, if any, documenting the relationship with third party vendors and access to data in a form accessible in the system of the software provider, Just Systems;

(c) attendance by certain of the Former Manager's employees at meetings with the Fund and FTI Consulting Canada Inc. (the "**Monitor**") regarding the Fund's representation on the boards of Portfolio Companies and related matters; and

(d) providing information to the Fund based on reasonable requests by the Fund.

99. In consideration for the Transitional Services, the Fund was obliged to pay the costs of the Former Manager for the Transitional Services, calculated for time spent based on the total actual annual salary of an individual employee, plus benefits and other employment costs, calculated hourly. The Former Manager was required under the CTSA to submit invoices to the Fund weekly, with detailed timesheets, and the Monitor and the Fund would review the invoices for reasonableness. If reasonable, the Fund would pay the invoice within two weeks.

100. It was my understanding that the Former Manager would cease all its duties under the Management Agreement that were not expressly triggered on termination. I understood that none of the Former Manager's duties other than those set out in the CTSA or MOU would survive termination of the Management Agreement.

101. In paragraph 6 of his Affidavit, Mr. Krebs-Carstens states that following the termination of the Management Agreement the Fund lacked a replacement manager and that fact prevented the Former Manager from efficiently or conveniently delivering the Fund Records or transitioning the management of the Fund, which, in turn, "resulted in the Former Manager providing Transition Services…to the Fund over a prolonged period."

102. These statements of Mr. Krebs-Carstens are entirely false. The Fund was under no obligation to appoint a successor manager and chose to manage the Fund itself during its restructuring, particularly given the reduced administrative activities of the Fund at that time. To lead that effort, I was appointed as the Fund's interim chief executive officer. I informed Mr. Levi of the Board's decision to internalize management at a meeting of the Board held on September 30, 2013 and the Fund subsequently issued a press release announcing my appointment in that capacity.

The Memorandum of Understanding between the Fund and Former Manager

103. In late October 2013, the Fund determined that it would require additional Transitional Services that were not included among the critical Transitional Services set out in the CTSA. As a result of the failure of the Former Manager to deliver the Fund's shareholder register in a usable form after termination of its role as manager, the Fund was not in a position to process

transfers of ownership of Class A Shares arising from RRSP's to RRIF's or unregistered accounts as RRSP beneficiaries turned 71.

104. At the same time, the administration of the CTSA had become tedious because of the constant failure of the Former Manager to calculate its fees in accordance with the formula set out in the CTSA. As a consequence, the Former Manager and CCC as the Fund's financial advisor were in constant and inefficient discussions about deficiencies in the Former Manager's invoices for critical Transitional Services. Despite the CTSA, the Former Manages was also threatening to withhold critical Transitional Services in light of its payment demands. A letter dated January 17, 2014 from the Fund's counsel to the Former Manager in response to their threat to withhold critical Transitional Services is attached hereto as Exhibit "**D**". The Former Manager's response received by email that same day is appended hereto as Exhibit "**E**".

105. In order to simplify the billing procedures and also to arrange for the processing of the RRSP to RRIF conversions to avoid any prejudice to the beneficial holders of the Fund's Class A shares, CCC negotiated a protocol for future billing and set it out in a memorandum of understanding ("**MOU**") with the Former Manager, which was attached as Exhibit "L" to the affidavit of Mr. Krebs-Carstens. In the MOU, the Fund agreed to pay an amount to the Former Manager that was equal to a portion of the license fees the Former Manager was obliged to pay to Just Systems.

106. I understand that the Fund and its financial advisor engaged in discussions with the Former Manager about appropriate billing methodology for these additional Transitional Services as the Former Manager was only entitled to payment for Transitional Services that were expressly set out in the CTSA. To crystallize the arrangement in respect of the additional RRSP-

related services and software licensing fees, the Fund entered into the MOU with the Former Manager.

107. Mr. Krebs-Carstens states in his affidavit that the MOU was never finalized or signed by the parties, and that terms of payment were never settled. To the contrary, the Former Manager agreed to the terms of the MOU in December 2013 and the MOU governed the interaction between the Fund and Former Manager; the Former Manager issued its invoices in accordance with the MOU, and the Fund paid the invoices on the same terms.

108. Under the MOU, the fees to be paid for services rendered under the CTSA were to be calculated as follows:

(a) For shareholder processing in connection with annual RRSP transfers – hourly rates for each Fund-approved individual were to be approved by the Fund, and the Fund was to be billed for actual hours worked with pro-rated overtime as necessary (details of each approved individual and their rates were set out in the MOU);

(b) For Just Systems – 31.5% of Just Systems' quarterly license fee plus HST.

109. The percentage (31.5%) was chosen because it represented the Fund's most recent NAV as a proportion of the assets in the funds managed by the Former Manager. To be clear, the allocation proposed in Mr. Krebs-Carstens' affidavit is entirely novel and not based on any legal obligation of the Fund. Prior to termination of the Management Agreement, the cost of the Just System's software licence and other such costs incurred in the ordinary course of the Former Manager's business, were to be paid by the Former Manager from its general funds and were

included in the “all-in” Management Fees paid by the Fund to the Former Manager. The Fund never agreed to pay Just Systems’ licensing fee. In the MOU, the Fund and the Former Manager simply agreed on a contribution the Fund was prepared to make to obtain the Transitional Services described in the MOU.

110. As described below, in late 2013, the Former Manager led the Fund and its advisors to believe that the Fund had an obligation to process conversions of RRSP accounts for RRSP shareholders turning 71 in 2013 (“**Yearly RRSP Services**”). On December 3, 2013, the Former Manager made a proposal to the Fund for the Former Manager to provide the Yearly RRSP Services for a fee. In fact, the Former Manager had a pre-existing contractual obligation to provide the Yearly RRSP Services to Concentra in exchange, I understand, for a reduction in fees charged by Concentra to the Former Manager under their agency agreement in respect of all funds managed by the Former Manager. The Former Manager did not disclose that fact to the Fund. Relying on the Former Manager’s representations and in the interests of the Fund’s affected shareholders, the Fund retained the Former Manager to provide those same services and paid the Former Manager for them.

111. All the Former Manager’s invoices that were properly issued in accordance with the CTSA and MOU were approved and paid. A list of invoices along with their description and payment status is attached hereto as Exhibit “**F**”.

The Former Manager’s Claims are Damages Claims

112. The Former Manager now makes claims that it characterizes as payment for Transitional Services provided to the Fund. In fact, the Former Manager’s claims are disguised damages

claims for the Former Manager's losses as a result of the termination of the Former Manager's appointment as manager under the Management Agreement.

113. Prior to the termination of the Management Agreement, the Former Manager acted as the manager of four LSVCCs, including the Fund. In that capacity, I understand that the Former Manager entered into a variety of third party contractual arrangements, including a software licence agreement with Just Systems and a bare trustee RRSP agency agreement with Concentra. The Fund was not a party to any of the Former Manager's agreements with any third party supplier and had no obligations to any of Just Systems, Concentra or FundSERV. The Former Manager was the contracting party with each third party supplier, and in return for Management Fees, the Former Manager provided services to the Fund, and bore its own actual costs of retaining the third party suppliers. As stated above, the Management Fees were an "all-in" payment for the provision of management Services and the Former Manager's arrangements with third party suppliers to provide those Services are not the responsibility of the Fund.

114. On September 30, 2013, the Fund provided written notice to the Former Manager that the Fund had terminated the Management Agreement and requested the return of the Fund Records pursuant to the terms of the Management Agreement. At no time after that date did the Fund instruct the Former Manager to maintain its contractual relationship with Just Systems, Concentra or FundSERV.

115. After receiving the Fund's termination notice and request for the Fund Records, the Former Manager was required to deliver the Fund's shareholder database to the Fund. It might also have taken steps to reduce its administrative expenses associated with the conduct of its business in light of the consequent reduction of the size of its business. For example, I

understand that the Former Manager could have given notice to Concentra that it wished to terminate the agency agreement between the parties and request that Concentra collapse the Group RRSP. It chose not to take those steps. In any event, the Fund's obligations to the Former Manager in respect of the Management Fees terminated along with the termination of the Management Agreement. The Fund bore no additional obligation under the Management Agreement to pay for third party services after termination.

116. Mr. Krebs-Carstens' affidavit does not reveal the entire scope of the Former Manager's dealings with the third party suppliers, and in particular its dealings with Concentra. As described above, in or around late November 2013, the Former Manager advised the Fund and its financial advisor, CCC, that (i) certain of the Fund's Class A Shareholders were participants in a group RRSP (the "**Group RRSP**") established by the Former Manager and its affiliates (primarily Matrix Asset Management Ltd.) for the purposes of effecting sales of shares of investment funds managed by the Former Manager, including the Fund; (ii) participants in the Group RRSP that turned 71 in 2013 were required by applicable tax laws to collapse their RRSP; and (iii) that certain services were required to be performed by the Fund in order to comply with those tax requirements; and (iv) the Former Manager would perform those services for a fee amounting to $7,000.

117. The Former Manager did not advise the Fund or CCC that the Former Manager was contractually bound under an existing agency arrangement with Concentra, the trustee of the Group RRSP, to perform certain administrative services for Concentra in respect of the Group RRSP accounts. As stated above, through the MOU, the Fund retained the Former Manager to perform those services at a cost of approximately $7,000. As a result of the MOU, the Former Manager was successful in getting the Fund to pay for services the Former Manager was already

contractually obliged to perform for Concentra. In December 2014, after another year of failing to comply with its Duty to Return Records in the form of a standalone, usable shareholder register, the Former Manager made another attempt to cause the Fund to pay for Group RRSP-related services, but this time increased its proposed fee to approximately $70,000. The Fund did not accept this offer and made other arrangements to effect and record the required transfers.

118. I believe that the Former Manager intended to default on its contractual obligations to Concentra and would not have provided the required Group RRSP-related administrative services to Concentra this year. In the interests of its Class A Shareholders, the Fund has agreed to provide Concentra with Group RRSP-related services this year at the Fund's own expense.

119. The Fund will seek to recover its costs incurred in providing Concentra with the services the Former Manager failed to provide to Concentra.

120. The Former Manager is not entitled to damages from the termination of the Management Agreement, prompted by its own breaches of the Management Agreement. It is now inappropriately attempting to recoup the loss of its income from the Fund in order to make up the cost of its pre-existing third party obligations.

The Former Manager's Legal and Accounting Costs and Overhead

121. The Fund is not liable to the Former Manager for its legal and accounting costs and overhead. As described herein, the arrangement between the Fund and the Former Manager under the Management Agreement was for the Fund to pay Management Fees to the Former Manager, and for the Former Manager to assume its own costs. There was never any agreement between the Former Manager and the Fund for the Fund to assume costs of the Former

Manager's overhead, or its legal and accounting fees. I do not believe there is any basis under which the Fund is obliged to pay the Former Manager's claims for accounting and customer support overhead. Such amounts are not expressly allowed under the CTSA or MOU.

Post-Termination Obligations under the Management Agreement for which No Payment is Owed

122. In addition to the Transitional Services governed by the CTSA and MOU, the termination of the Management Agreement itself triggered certain obligations of the Former Manager, including the Duty to Return Records, that arose on termination and for which the Former Manager is not entitled to any payment or cost reimbursement. Section 8.5 of the Management Agreement provides that termination triggers an obligation to deliver to the Fund all Fund Records in the custody, possession or control of the Former Manager, and does not impose payment obligations in respect thereof:

> 8.5 Delivery of Records – Upon termination of this Agreement under Sections 8.2 or 8.3, the Manager shall promptly deliver to the Fund all records, including electronic records or data in a form accessible to the Fund, of or relating to the affairs of the Fund in its custody, possession or control.

123. The Former Manager has now delivered certain Fund Records, but given that the Former Manager historically kept all of the Fund Records and only recently delivered some of them to the Fund, the Fund is not able to ascertain whether all Fund Records have been provided, as required by the Management Agreement.

124. The Protocol approved by this Honourable Court on November 27, 2014 was intended to govern the delivery of Fund Records by the Former Manager, pursuant to Section 8.5 of the Management Agreement. It is anticipated that further deliveries may be made in the future pursuant to the Former Manager's pre-existing obligations under the Management Agreement.

125. Further, the Former Manager has not delivered the Fund's shareholder database in a format that is accessible to the Fund as required by the Management Agreement. There were two fundamental ways in which the shareholder data base that was delivered by the Former Manager did not comply with its obligation under the Management Agreement:

(a) the shareholder data was comingled with the private information of the shareholders of other funds managed by the Former Manager. As a consequence, the Fund could not access its own data base, nor could it retain a third party provider of data management services to access the data base without breaching the privacy rights (statutory and common law) of the shareholders of the other funds and has resulted in further complexities and added costs for the Fund; and

(b) the shareholder data base was only a copy and not the "live" version. Because of arrangements that the Former Manager had made with the financial advisors that advised the shareholders of all of its managed funds, even after delivery of an electronic copy of the shareholder data base to the Fund, the financial advisors could still and were updating and amending the shareholder data base retained by the Former Manager.

126. I am not aware what expertise Mr. Krebs-Carstens might claim to have in the fund management business. He states no basis for a claim for expertise and I note that he has never been an employee of the Former Manager. Despite this apparent lack of credentials as an expert, he claims at paragraph 102 of his affidavit that combined databases is standard practice. Whether true or not in respect of how managers maintain shareholder data while they continue to

operate as managers of multiple funds, this is not evidence of an industry practice of delivering comingled data bases to a fund pursuant to a Duty to Return Records of a fund on termination.

127. Because the Fund's shareholder data base had been comingled with other confidential data, the Former Manager sought and obtained from the Fund and its advisors covenants to refrain from further disclosure of the confidential and private information the Former Manager had comingled with the Fund's shareholder information. These covenants permitted the Fund to seek the advice of IAS (formerly Just Systems) concerning the extraction of the Fund's shareholder database from the comingled data provided by the Former Manager.

128. Mr. Krebs-Carstens also stated in his affidavit at paragraph 79 that investigations revealed that it would be "difficult and likely expensive to extract the Fund Shareholder File from the other files in the Shareholder Database." That expense was the Former Manager's responsibility as part of its Duty to Return Records.

129. The Fund, through its legal counsel, requested that IAS review the database to determine a protocol for the separation of the comingled data. The Former Manager has advised the Fund that the shareholder database delivered to the Fund operates using IAS software. The Fund has been advised that it will be required to incur significant expense in order to separate the Fund's comingled shareholder data from the data of those of other shareholders.

130. The creation of a standalone shareholder data base for the Fund has been further delayed because the "live" data base continued to be resident on the Former Manager's systems and remained subject to updating by financial advisors using the FundSERV service provided to them by the Former Manager until December 31, 2014. The Former Manager did not deliver the "live" data base until January 5, 2015. The Fund is now assured that neither the Former

Manager nor the financial advisors can continue to update the Fund's shareholder data base. Finally, IAS can get to work on creating the standalone shareholder data base that the Former Manager should have delivered more than a year ago.

131. The delivery of all Fund Records is a clear and unconditional obligation of the Former Manager under the Management Agreement, triggered by the termination of the Agreement. It is not, as the Former Manager characterizes, conditional upon payment by the Fund nor contemplated in the CTSA or MOU.

132. The delivery of the Fund Records was not an obligation that was in any way conditional on the appointment of a successor manager, as the Former Manager appears to believe.

133. In any event, on September 30, 2013, the Fund wrote to the Former Manager specifically requesting the return of the Fund Records pursuant to the provisions of the Management Agreement and instructing the Former Manager to send those materials to the Fund's counsel, McCarthy Tétrault LLP. The Former Manager made no effort to contact me or the Fund's counsel to discuss any issues in returning the Fund Records. As late as December 2013, the Former Manager transferred Fund Records to a third party storage facility without informing the Fund or its counsel. I understand that, sometime in June 2014, the Former Manager arranged for the Monitor and the Fund to have access to Fund Records at that storage facility, and the Former Manager advised the Monitor but not the Fund.

134. I understand that in August 2014, the Former Manager did send to the Monitor some of the Fund Records in paper form. However, it was only after further prodding and commencement of formal legal proceedings by the Fund for the return of Fund Records that the Former Manager delivered to the Fund in November 2014 what the Former Manager and its counsel asserted were

all of the Fund Records. Notwithstanding those assertions, late on December 30, 2014, Mr. Krebs-Carstens wrote to the Fund's legal counsel to advise the Fund that the Former Manager, in fact, was in possession of additional Fund Records and would only return them if the Fund would pay the cost of doing so. Mr. Krebs-Carstens' email of December 30, 2014 is appended hereto as Exhibit "**G**".

135. I note that the process of transferring the Fund's shareholder database, albeit in a comingled, inaccessible form, and a transfer of a significant portion of the other Fund Records, was undertaken electronically for the most part in November 2014 was, by all accounts, an efficient and convenient process and has not been hampered by the lack of a successor manager. I believe this demonstrates that the Former Manager's failure to effect efficient transfer of the Fund Records is a result of its reluctance to cooperate with the Fund, and not a result of any real obstacle.

136. In my view, it is not appropriate for the Former Manager to claim further payment from the Fund to deliver Fund Records over and above the significant Management Fees already paid to it under the Management Agreement, or to characterize the delivery of Fund Records as a Transitional Service. The Fund has been put to the unnecessary expense and effort of seeking delivery of the Fund Records due to the Former Manager's breach of Section 8.5 of the Management Agreement.

137. The Fund has incurred significant costs and damages on account of the Former Manager's errors and breach of the Management Agreement. Namely, the Fund has incurred:

(a) $419,412.33 in fees for audit services performed by KPMG in 2013 that the Former Manager was obliged to pay but which it refused to pay;

(b) $2,345,508 in respect of legal and accounting expenses improperly withdrawn from the Fund's accounts by the Former Manager to cover its own legal and accounting costs;

(c) the cost of retaining IAS to separate the Fund's shareholder data, which were inappropriately comingled with information of shareholders of other investment funds managed by the Former Manager;

(d) the cost of annual RRSP-related services that should have been provided by the Former Manager in respect of the 2013 tax year and further expenses to be incurred in respect of the 2014 tax year, together with related legal and financial advisory expenses;

(e) approximately $4.5 million to date for legal, financial advisory and accounting expenses incurred by the Fund to deal with issues arising because of the Former Manager's breach of its obligations under the Management Agreement, and which expenses continue to be incurred on an ongoing basis;

(f) approximately $5,000,000 in interest costs incurred by the Fund on the $25.7 million owing by the Fund to Roseway under the Participation Agreement since May 28, 2013 because of the Former Manager's breach of its obligations under the Participation Agreement; and

(g) damages arising from the Former Manager's breach of the Former Manager's Standard of Care under the Management Agreement.

138. These amounts claimed by the Fund are the direct result of the Former Manager's failure to act reasonably and diligently as manager under the Management Agreement, and its failure to comply with its ongoing obligations under the Management Agreement. They will be asserted in the defence and counter-claim of the Fund against the Former Manager. On the evidence to be heard in that claim proceeding, the Fund will argue that all of the Former Manager's claims should be dismissed and a judgment of many millions of dollars should be granted against the Former Manager in favour of the Fund. In the event that some part of the Former Manager's claim is allowed, the Fund will assert a right of legal and equitable set off arising from its counter-claims. In my view, no claim of the Former Manager against the Fund can be properly heard without the same court also hearing the evidence supporting the Fund's counter-claims.

SWORN BEFORE ME at the Town of Blue Mountains, in the Province of Ontario, this 9th day of January, 2015.	
Commissioner for taking affidavits	**C. IAN ROSS**

Exhibit A

This is Exhibit A referred to in the
affidavit of C. Ian Ross
sworn before me, this 9th
day of January 2015

A COMMISSIONER FOR TAKING AFFIDAVITS

mccarthy tetrault

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June 18, 2013

GrowthWorks WV Management Ltd.
Box 11170, Royal Centre
2600- 1055 West Georgia Street
Vancouver, BC V6E 3R5

Attention: David Levi, President

Dear Sirs/Mesdames:

Re: Management Agreement - Expenses

As you are aware, we are counsel to GrowthWorks Canadian Fund Ltd. ("**GW Cdn**"). I am writing in furtherance of recent discussions and correspondence with Clint Matthews on your behalf regarding the respective responsibilities of GW Cdn and GrowthWorks WV Management Ltd. (the "**Manager**") for certain legal and accounting expenses under the Management Agreement dated July 15, 2006 (the "**Management Agreement**") between GW Cdn and the Manager, including the expense analysis (the "**Manager's Analysis**") produced by the Manager and attached for reference as Exhibit A to this letter.

The Manager's Analysis concludes that all of the expenses (the "**Subject Expenses**") cited in the Manager's Analysis are for the account of the Fund and not for the account of the Manager. The Manager has indicated to GW Cdn that the Manager made this determination on the basis that the Subject Expenses were unusual or extraordinary expenses incurred by the Fund outside the normal scope of the Services (as defined in the Management Agreement). Mr. Matthews has advised our client that the Manager has previously caused the Fund to pay those expenses out of the Fund's cash resources. These payments were made without prior consultation with, or approval of, GW Cdn.

GW Cdn is of the view that, contrary to the Manager's Analysis, all of the Subject Expenses are properly the responsibility of the Manager pursuant to Section 6.1 of the Management Agreement. Under the Management Agreement, the Manager has agreed to manage the day to day operations of the Fund. All of the Subject Expenses were incurred in furtherance of courses of action proposed by the Manager to the Board of Directors of GW Cdn. In particular, the Manager's recommendations to GW Cdn that GW Cdn enter into the Participation Agreement with Roseway Capital L.P. in 2010 and that it change its capital structure to incur indebtedness for borrowed money were both part of GW Cdn's day to day operations. As GW Cdn's investment portfolio matured and sales of Class A Shares of GW Cdn declined, the Manager sought to address GW Cdn's need for liquidity to fund follow-on investments and operating commitments, including the management fees payable to the Manager under the Management Agreement. Similarly, the Manager proposed that GW Cdn adopt a redemption management plan and pursue the necessary regulatory approvals when the Fund's financial condition became such that redemptions of Class A shares were suspended. In addition, the divestment of portfolio assets is clearly part of the Fund's usual operations.

The day to day operations of GW Cdn cannot be viewed as static and will necessarily change over time in the ordinary course as the needs of GW Cdn's business evolve and change, particularly where the change arises due to a course of action recommended by the Manager. Such changes do not reasonably lead to the conclusion that expenses incurred with GW Cdn's operations are unusual or extraordinary. I note that the Manager continued to manage the day to day operations of the Fund during the period in which the Subject Expenses were incurred and to collect its full management and administration fees during that period, without indicating to GW Cdn that the activities of GW Cdn that gave rise the Subject Expenses were not part of those daily operations or otherwise unusual or outside the scope of the Services. Had the Manager indicated that that was the view of the Manager, the Board of Directors may very well have elected to not pursue the recommended course of action.

Our client is of the view that the Manager has improperly charged the Subject Expenses to GW Cdn contrary to Section 6.1 of the Management Agreement and in so doing has acted contrary to the authority of the Manager to act on behalf of GW Cdn granted to the Manager pursuant to Section 3.3 of the Management Agreement. Accordingly, on behalf of GW Cdn, we hereby demand that the Manager immediately reimburse GW Cdn fully for the Subject Expenses.

Yours truly,

Jonathan Grant

JG/nd/gtf
Encl.

c. Ian Ross
Clint Mattews, GrowthWorks WV Management Ltd.
John McLeod, Irwin, White & Jennings

EXHIBIT A

Matrix Asset Management Inc.
Fund vs. Manager Project Expense Analysis

The below analysis is based on the Manager's assessment of the expenses in relation to the defining language in the Management Agreement under the following sections:

Section	**Excerpt**
6.1	The Manager shall pay all normal operating expenses of the Fund incurred in providing the Services, including without limitation:.... (b) audit and legal fees.... (j) fees payable to regulatory authorities with respect to annual corporate filings and the offering of Class A Shares...
6.2	Notwithstanding Section 6.1, the Fund shall be responsible for any expenses or charges incurred in respect of the following:...(f) any unusual or extraordinary expenses incurred by the Fund outside the normal scope of the Services such as, for illustrative purposes: expenses incurred as a result of litigation or arbitration...

Project Description	Management Assessment	Vendors	Totals	Expense Recorded By: CDN Fund	WOF	Manager
Industrial Alliance Note-Backed Facility	The Manager believes that the legal work and consulting fees related to securing the note backed facility is the responsibility of the Fund as it is an extraordinary arrangement required due to highly unique circumstances outside the scope of usual daily operations of the Fund and what would be considered the Manager's responsibility under Sections 6.1 and 6.2 of the Management Agreement.	Irwin, White & Jennings	313,679	X		
		Industrial Alliance Securities Inc.	200,000	X		
		Total	513,679			
Beedie Finance Facility	The Manager believes that the legal work and consulting fees related to securing the agreement is the responsibility of the Fund as it is an extraordinary arrangement required due to highly unique circumstances outside the scope of usual daily operations of the Fund and what would be considered the Manager's responsibility under Sections 6.1 and 6.2 of the Management Agreement.	Irwin, White & Jennings	65,824		X	
		Borden Ladner Gervais	21,161		X	
	Initially the facility was required purely as a result of the Canadian Fund's inability to settle it's debt with WOF when it came due. In order to bridge the gap, WOF secured this facility and CDN Fund agreed to be pay the costs to ensure WOF was not out-of-pocket as a result of CDN Fund's need for an extension. Although some costs were paid by WOF initially, at the time of renegotiation, a complex analysis was undertaken by H&W to determine an appropriate blended rate of interest that would ensure WOF was made whole for all expenses already incurred or still to be incurred as a result of the facility. All costs incurred by WOF to extend the facility after CDN Fund repaid it's debt are WOF's responsibility.	Fasken Martineau	70,850		X	
		Total	157,834			
		Goodmans	7,819	X		
GrowthPoint (Greg Peet) Loan	The Manager believes that the legal work and consulting fees related to securing the agreement is the responsibility of the Fund as it is an extraordinary arrangement required due to highly unique circumstances outside the scope of usual daily operations of the Fund and	Irwin, White & Jennings	Included in Industrial Alliance billings	X		

Matrix Asset Management Inc.
Fund vs. Manager Project Expense Analysis

The below analysis is based on the Manager's assessment of the expenses in relation to the defining language in the Management Agreement under the following sections:

Section	Excerpt
6.1	The Manager shall pay all normal operating expenses of the Fund incurred in providing the Services, including without limitation:…. (b) audit and legal fees…. (j) fees payable to regulatory authorities with respect to annual corporate filings and the offering of Class A Shares…
6.2	Notwithstanding Section 6.1, the Fund shall be responsible for any expenses or charges incurred in respect of the following:…(f) any unusual or extraordinary expenses incurred by the Fund outside the normal scope of the Services such as, for illustrative purposes: expenses incurred as a result of litigation or arbitration…

Project Description	Management Assessment	Vendors	Totals	Expense Recorded By: CDN Fund	WOF	Manager
GrowthPoint (Greg Peet) Loan	to highly unique circumstances outside the scope of usual daily operations of the Fund and what would be considered the Manager's responsibility under Sections 6.1 and 6.2 of the Management Agreement.	Fasken Martineau	4,283	X		
		GrowthPoint	134,400	X		
		Total	146,502			
Roseway	The Manager believes that the legal work and consulting fees related to securing the arrangement is the responsibility of the Fund as it is an extraordinary arrangement required due to highly unique circumstances outside the scope of usual daily operations of the Fund and what would be considered the Manager's responsibility under Sections 6.1 and 6.2 of the Management Agreement.	Irwin, White & Jennings	23,265	X		
		McCarthy Tétrault	Included in Newbury/Triago billings	X		
		Total	23,265			
Kirchner	The Manager believes this is a business matter outside the usual day to day operations of Fund adminstration and the third-party costs were incurred directly by the BOD. The services as described are specific to guidance provided to the members of the BOD and not provided to the Manager or their representatives.	McCarthy Tétrault	36,675	X		
		Total	36,675			
WOF Loan	The Manager believes that the legal work and consulting fees related to securing the	Irwin, White & Jennings	75,847	X		

Matrix Asset Management Inc.
Fund vs. Manager Project Expense Analysis

The below analysis is based on the Manager's assessment of the expenses in relation to the defining language in the Management Agreement under the following sections:

Section	Excerpt
6.1	The Manager shall pay all normal operating expenses of the Fund incurred in providing the Services, including without limitation:.... (b) audit and legal fees.... (j) fees payable to regulatory authorities with respect to annual corporate filings and the offering of Class A Shares...
6.2	Notwithstanding Section 6.1, the Fund shall be responsible for any expenses or charges incurred in respect of the following:...(f) any unusual or extraordinary expenses incurred by the Fund outside the normal scope of the Services such as, for illustrative purposes: expenses incurred as a result of litigation or arbitration...

Project Description	Management Assessment	Vendors	Totals	Expense Recorded By: CDN Fund	WOF	Manager
	The Manager believes that the legal work and consulting fees related to securing the arrangement is the responsibility of the Fund as it is an extraordinary arrangement required due to highly unique circumstances outside the scope of usual daily operations of the Fund and what would be considered the Manager's responsibility under Sections 6.1 and 6.2 of the Management Agreement.	McCarthy Tétrault	153,100	X		
		Goodmans	49,487	X		
		Hay & Watson	35,840			
		Total	314,274			
Newbury / Triago	The Manager believes that the legal work and consulting fees related to securing the block of portfolio assets is the responsibility of the Fund as it is an extraordinary arrangement required due to highly unique liquidity circumstances outside the scope of usual daily operations of the Fund and what would be considered the Manager's responsibility under Sections 6.1 and 6.2 of the Management Agreement.	Irwin, White & Jennings	-	X		
		Triago (retainer)	154,620	X		
		McCarthy Tétrault	440,149	X		
		Total	594,769			
Redemption Management Plan (RMP)	The Manager believes that the legal work and consulting fees related to seeking approval for the RMP is the responsibility of the Fund as it is an extraordinary regulatory matter required due to highly unique liquidity circumstances outside the scope of usual daily operations of the Fund and what would be considered the Manager's responsibility under Sections 6.1 and 6.2 of the Management Agreement.	Irwin, White & Jennings	214,168	X		
		McCarthy Tétrault	242,367	X		
		Total	456,536			
Vengrowth Acquisition Project	Although this extraordinary campaign for the Fund to acquire the assets of the Vengrowth funds was clearly outside the usual daily operations of the Fund, upon comencement it was agreed between the Manager and the Fund that the costs related to third-party assistance	Various	3,436,956			X

Matrix Asset Management Inc.
Fund vs. Manager Project Expense Analysis

The below analysis is based on the Manager's assessment of the expenses in relation to the defining language in the Management Agreement under the following sections:

Section	Excerpt
6.1	The Manager shall pay all normal operating expenses of the Fund incurred in providing the Services, including without limitation:.... (b) audit and legal fees.... (j) fees payable to regulatory authorities with respect to annual corporate filings and the offering of Class A Shares...
6.2	Notwithstanding Section 6.1, the Fund shall be responsible for any expenses or charges incurred in respect of the following:...(f) any unusual or extraordinary expenses incurred by the Fund outside the normal scope of the Services such as, for illustrative purposes: expenses incurred as a result of litigation or arbitration...

Project Description	Management Assessment	Vendors	Totals	Expense Recorded By: CDN Fund	WOF	Manager
	required to launch and carry-on the extraordinary campaign were to be the responsibility of the Manager. The only expenses paid by the Fund are those specific to guidance sought and provided directly to the members of the BOD as engaged by the Board directly.	McCarthy Tétrault	33,425	X		
		Total	3,470,382			
Other Projects:						
General (Comm/CDN Fund interactions)	The Manager believes this is a business matter outside the usual day to day operations of Fund adminstration and the third-party costs were incurred directly by the BOD. The services as described are specific to guidance provided to the members of the BOD and not provided to the Manager or their representatives.	McCarthy Tétrault	15,020	X		
General (CDN Fund strategy analysis)	The Manager believes this is a business matter outside the usual day to day operations of Fund adminstration and the third-party costs were incurred directly by the BOD. The services as described are specific to guidance provided to the members of the BOD and not provided to the Manager or their representatives.	CCC Investment Banking	28,250	X		
Tax advice-switch rule/series consolidations	The Manager believes that the legal work and consulting fees related to securing the block of portfolio assets is the responsibility of the Fund as it is an extraordinary arrangement required due to highly unique liquidity circumstances outside the scope of usual daily operations of the Fund and what would be considered the Manager's responsibility under Sections 6.1 and 6.2 of the Management Agreement.	McMillan LLP	58,704	X		
Opinion letter on treatment of redemptions	The Manager believes this is a business matter related to the usual day to day operations of the Fund administration and the thrid-party costs are therefore the responsibility of the Manager.	KPMG	-			X
		Total	101,974			

Exhibit B

This is Exhibit.....B.....referred to in the affidavit of.....C. Ian Ross.....
sworn before me, this.....9th.....
day of.....January.....20..15..
.....
A COMMISSIONER FOR TAKING AFFIDAVITS

mccarthy tetrault

McCarthy Tétrault LLP
PO Box 48, Suite 5300
Toronto-Dominion Bank Tower
Toronto ON M5K 1E6
Canada
Tel: 416-362-1812
Fax: 416-868-0673

Jonathan Grant
Direct Line: (416) 601-7604
Email: jgrant@mccarthy.ca

September 19, 2013

Mr. David Levi
President
GrowthWorks WV Management Ltd.
Box 11170, Royal Centre
2600- 1055 West Georgia Street
Vancouver, BC V6E 3R5

Dear David:

Re: Management Agreement - Expenses

Further to my letter of June 18, 2013, I am in receipt of a copy of Clint Matthews' response by email to the Chairman of GW Cdn, C. Ian Ross, on July 5, 2013, including the "cost allocations" memorandum of the Manager dated July 5, 2013. I have been asked by GW Cdn to respond to that correspondence. For ease of reference, capitalized terms used in this letter have the same meanings given to them in my letter of June 18.

Our client has reviewed and considered Mr. Matthews' email of July 5 and the related attachments and remains firmly of the view that the Subject Expenses are properly the responsibility of the Manager pursuant to Section 6.1 of the Management Agreement. As you indicated in the Manager's memo of July 5, the allocation of operating expenses between GW Cdn and the Manager is a question of legal interpretation of Sections 6.1 and 6.2 of the Management Agreement. The Management Agreement requires the Manager to provide certain services to GW Cdn over the life of the fund and, in exchange, entitles the Manager to receive specified compensation throughout the term of the agreement. GW Cdn rejects the notion that the Management Agreement can reasonably be interpreted to mean that the Manager is only responsible for GW Cdn's on-going operating expenses if those expenses were "normal" at the time the parties entered into the Management Agreement. If that was the intention of the Manager, it was fully open to the Manager at that time to specify in the Management Agreement that the contract was to be interpreted on that basis. GW Cdn is of the view that that was not the intent of the parties at that time.

In the Manager's memo of July 5, you note that the cost allocations proposed by the Manager were audited by GW Cdn's auditors as well as the auditors of Working Opportunity Fund and the Manager, respectively. As I indicated above, this is a matter of the legal interpretation of the contract and, therefore, the interpretation of the contract by the auditors (to the extent that the auditors actually turned their mind to this issue, which GW Cdn does not acknowledge) is not relevant for these purposes. Further, the views of the auditors of the Working Opportunity Fund and the Manager are, by definition, subject to conflicts of interest and are therefore equally not relevant.

In the Manager's memo, you indicate that the Manager has followed a consistent approach with respect to the allocation of legal and accounting expenses as between GW Cdn and the Manager. Upon review, it would appear that the only aspect of consistency in the Manager's approach is to allocate virtually all expenses of that nature to GW Cdn. It would also appear that the Manager has failed to properly bring to the attention of the Board of Directors of GW Cdn and, in particular, the Independent Review Committee of the Board, the conflicts which exist between the Manager and GW Cdn as to the allocation of those expenses. At a minimum, we are of the view that the Manager has failed in its obligations under the Management Agreement to exercise the powers and authorities granted to the Manager under the Management Agreement honestly and in good faith.

Lastly, the Manager's memo indicates that the Manager has incurred "substantial legal fees in the ordinary course of business". In our view, whether or not the Manager has incurred substantial legal costs in connection with the performance of its duties under the Management Agreement is not relevant to the question of whether the Manager has properly allocated the Subject Expenses to GW Cdn. Under the Management Agreement, the Manager has contractually agreed to be responsible for the Subject Expenses.

The materials included with Mr. Matthews' July 5 email appear to indicate that the Manager's allocation of significant legal and accounting expenses to GW Cdn dates back to at least fiscal 2009. GW Cdn is concerned that significant additional professional fees have been improperly allocated to GW Cdn beyond those which form the Subject Expenses. Accordingly, on behalf of GW Cdn, we request a summary of all such allocations of professional fees made by the Manager and charged to GW Cdn for the past ten years, including appropriate back-up materials. GW Cdn reserves its rights to dispute any such additional amounts.

For the foregoing reasons, our client remains of the view that the Manager has improperly charged the Subject Expenses to GW Cdn contrary to Section 6.1 of the Management Agreement and, in so doing, has improperly used the authority granted to the Manager under the Management Agreement. Accordingly, on behalf of GW Cdn, we repeat our demand that the Manager immediately reimburse GW Cdn fully for the Subject Expenses.

Yours truly,

McCarthy Tétrault LLP

Jonathan Grant

JRG/dt

Copy: Mr. C. Ian Ross, GrowthWorks Canadian Fund Ltd.
Mr. Clint Matthews, GrowthWorks WV Management Ltd.
Mr. John McLeod, Irwin, White & Jennings
Mr. David Jennings, Irwin, White & Jennings

Exhibit C

This is Exhibit C referred to in the affidavit of C. Ian Ross sworn before me, this 9th day of January 20 15

A COMMISSIONER FOR TAKING AFFIDAVITS

GROWTHWORKS CANADIAN FUND LTD.

September 30, 2013

GrowthWorks WV Management Ltd.
Suite 2200
Exchange Tower
130 King Street West
Toronto
ON M5X 1E3

Attention: David Levi, President

Dear Sirs/Mesdames:

Re: Management Agreement

We refer to the Amended and Restated Management Agreement dated July 15, 2006 (the "**Management Agreement**") between GrowthWorks Canadian Fund Ltd. (the "**Fund**") and GrowthWorks WV Management Ltd. (the "**Manager**").

Pursuant to the Management Agreement, the Manager has been appointed as the manager of the Fund to provide or cause to be provided to the Fund certain management and administration services (the "**Services**"), including management of the day-to-day operations of the Fund; portfolio advisory and investment management services; ensuring compliance in all material respects with securities laws, regulations and policies relating to the operation of the Fund; selecting, instructing and supervising all service providers to the Fund deemed necessary by the Manager for the due operation of the business of the Fund; calculating the net asset value of the Fund and the net asset value per share of each series of Class A Shares of the Fund; and bookkeeping and internal accounting services.

Under the Management Agreement, the Manager has agreed, among other things, that (i) the Manager will comply with the securities laws and regulations, the requirements of the Canadian securities administrators and policy statements of the securities regulatory authorities insofar as they relate to the Manager's duties and obligations under the Management Agreement (Section 3.4 of the Management Agreement); and (ii) it will exercise the powers and authorities granted to it under the Management Agreement, and discharge its duties under the Management Agreement, honestly, in good faith and in the best interests of the Fund and, in connection therewith, will exercise a degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances (Section 3.5 of the Management Agreement).

Section 3.6 of the Management Agreement provides that the Manager may engage, contract or employ other persons the Manager deems advisable in connection with providing the Services and may delegate any part of its duties and powers set out in the Management Agreement as it considers necessary or appropriate in the course of providing the Services. In Section 3.6 of the Management Agreement, the Manager acknowledges and agrees that any such arrangement or delegation will in no way diminish the obligation of the Manager to the Fund for the Services or the standard of care owed to the Fund with respect to the provision of the Services. You have advised the board of directors of the Fund (the "**Board**") that the Manager has delegated certain of its duties under the Management Agreement, to GrowthWorks Capital Ltd. ("**GWC**") including services requiring registration under applicable securities laws.

Under Section 3.7 of the Management Agreement, the Manager must have and ensure that all persons associated with providing the Services will have, the necessary registrations and approvals under applicable securities laws and regulations to provide the component of the Services they are providing.

Pursuant to Section 3.9(a) of the Management Agreement, the Manager is required to keep proper books of account and records for the Fund.

In consideration for providing the Services, the Manager is entitled to receive, and has received, management and administration fees which totalled approximately $6,000,000 for the 12 months ended August 31, 2013.

Under Section 6.1 of the Management Agreement, the Manager has agreed to pay all normal operating expenses of the Fund incurred in providing the Services, including legal and annual audit and valuation fees.

Pursuant to Section 8.2(c) of the Management Agreement, the Management Agreement may be terminated by the Fund upon a material breach of the Management Agreement by the Manager where written notice of such breach is given to the Manager by the Fund and, if such breach is capable of being remedied, the Manager has not remedied the breach within 60 days after such notice is received by the Manager.

The Fund hereby gives notice to the Manager of the following material breaches of the Management Agreement by the Manager:

(a) The Manager is in material breach of Sections 3.4 and 3.5 of the Management Agreement. By letters to GWC dated April 16, 2013 and April 30, 2013 and in comments made by Staff of the BCSC to GWC in a related meeting **(copies of which are attached hereto as Exhibits "A", "B" and "C" (a written transcript of such comments, respectively)**, the British Columbia Securities Commission (the "**BCSC**") has, as part of its most recent compliance field examination of GWC, found, and it is the position of the Fund, that GWC and the Manager (as GWC conducts registerable activities for the Manager) breached a number of provisions of applicable securities laws in connection with the provisions of Services to the Fund following:

(i) In breach of section 125 of the *Securities Act (*British Columbia*)* (the "**BC Securities Act**") and Section 3.5 of the Management Agreement, GWC breached its fiduciary duty to the Fund. The BCSC found that GWC did not exercise the powers and discharge the duties of its office in the best interests of the Fund, nor did GWC exercise the degree of care, diligence, and skill that a reasonably prudent person would exercise in the circumstances, and that GWC has preferred its own interests to those of the Fund and other funds managed by the Manger and GWC. GWC's failure to consider all the scenarios and actions for dealing with the Canadian Fund's distressed financial situation was not in the best interests of the Fund.

(ii) GWC violated section 2, chapter 3 of its Policies and Procedures Manual ("**PPM**"). The PPM requires GWC to act "in the best interest of an investment fund managed by GrowthWorks". In violating the provisions of its PPM, GWC also breached section 11.1 of NI 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations ("***NI 31-103***")*. Section 11.1 of National Instrument 31-103 required GWC to apply policies and procedures that establish a system of controls and supervision sufficient to manage the risks associated with its business in accordance with prudent business practices.

(iii) In breach of Section 14 of the Rules, made under the BC Securities Act, GWC did not deal fairly with the Fund when recommending that the Fund borrow $33.5 million over the period from May 2010 to May 2012.

(iv) GWC violated section 2, chapter 3 of its PPM. The PPM requires GWC to avoid any activities, interest or associations which might interfere or give the appearance of interference with the independent exercise of their judgment, in the best interest of its managed funds. As GWC did not deal fairly when recommending the Canadian Fund borrow $33.5 million over the period May 2010 to May 2012, it violated its PPM. In violating the provisions of its PPM, GWC also breached section 11.1 of NI 31-103. Section 11.1 of NI 31-103, required GWC to apply policies and procedures that establish a system of controls and supervision sufficient to manage the risks associated with its business in accordance with prudent business practices.

(v) In breach of Section 11.1 of NI 31-103, GWC failed to establish, maintain, and apply policies and procedures that establish a system of controls and supervision sufficient to provide reasonable assurance that the firm and each individual acting on its behalf complies with securities legislation and manage the risks associated with its business in accordance with prudent business practices.

(b) The Manager is in material breach of Section 3.4 of the Management Agreement. By a memorandum dated August 22, 2013 from GWC to the Board, GWC advised the Board that GWC is in breach of Section 12.1 of NI 31-103 and that certain conditions have been placed on GWC as a registrant for purposes of applicable securities laws;

(c) By a memorandum dated June 4, 2013 from the Manager to the Audit Committee to the Board, the Manager admitted that it had made an error in connection with a follow-on financing by the Fund in Cytochroma Inc. ("**Cytochroma**") in the first quarter of 2012 when the Manager improperly allocated to GrowthWorks Commercialization Fund Ltd. securities of Cytochroma that should have been allocated to the Fund. The Manager subsequently failed to make due inquiries when Cytochroma initially delivered securities to the Manager in respect of that financing. Those securities of Cytochroma were subsequently exchanged for common shares of OPKO Health, Inc. in connection with the sale of Cytochroma. As a result, 88, 403 common shares of OPKO Health, Inc. remain in the control of GrowthWorks Commercialization Fund Ltd., a separate investment fund. The Manager has not taken any action to rectify this matter. Accordingly, the

Manager has materially breached its obligations under (i) Section 3.5 of the Management Agreement to (A) act in the best interests of the Fund, and (B) exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances, and (ii) Section 3.9(a) to provide proper books of account and records for the Fund;

(d) In connection with the Cytochroma transaction referred to in clause (c) above, a senior employee of the Manager at the time, Joseph Regan, has advised representatives of the Fund that he did not carefully read, before signing on behalf of the Fund, an Acknowledgement and Receipt between the Fund and Roseway that purports to impose on the Fund material contractual obligations in favour of Roseway with respect to the beneficial ownership of, and entitlement to divestment proceeded from, the sale of securities of OPKO Health, Inc. That document is now relied upon by Roseway as a basis for claiming from the Fund approximately $1.9 million in proceeds realized by the Fund in connection with the sale of those securities of OPKO Health, Inc. In executing that document without due (or any) consideration to its legal effect from the standpoint of the Fund, the Manager has materially breached its obligations under Section 3.5 of the Management Agreement, to (i) act in the best interests of the Fund, and (ii) exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances;

(e) In connection with a reconciliation prepared by PricewaterhouseCoopers ("**PWC**") on behalf of Roseway Capital S.a.r.l. ("**Roseway**") with respect to participating interest payments owing by the Fund to Roseway under the Participation Agreement dated May 28, 2010 between the Fund and Roseway, PWC discovered numerous errors by the Manager in relation to the accounts maintained by the Manager on behalf of the Fund and the calculation in payment of those participating interest payments to Roseway. These errors on the part of the Manager have caused the Fund to incur significant payments to Roseway and significant professional fees and expenses. Accordingly, the Manager has materially breached its obligations under (i) Section 3.5 of the Management Agreement to exercise the degree of care, diligence and skill that a reasonably prudent person wold exercise in the circumstances, and (ii) Section 3.9(a) of the Management Agreement to keep proper books of account and records for the Fund; and

(f) As set forth in the letters of the Fund's counsel, McCarthy Tétrault LLP dated June 18, 2013 and September 19, 2013, the Fund has improperly used the authority granted to the Manager under Section 3.1 of the Management Agreement to act on behalf of the Fund by causing the Fund to pay legal and accounting expenses that the Manager is required to pay pursuant to Section 6.1 of the Management Agreement. As a result, the Manager has materially breached its obligations under Sections 3.3, 3.5 and 6.1 of the Management Agreement.

None of the material breaches of the Management Agreement described in paragraphs (a), (c), (d) and (e) above is capable of being remedied, and the material breaches of the Management Agreement described in paragraph (f) above have not been cured by the Manager within 60 days of notice thereof by the Fund to the Manager. Accordingly, the Fund hereby gives notice to the Manager that the Management Agreement is hereby terminated pursuant to Section

8.2(c) thereof, effective immediately.

The Fund hereby reserves the right to pursue all legal remedies with respect to any breach of the Management Agreement by the Manager prior to the termination thereof.

Pursuant to Section 8.5 of the Management Agreement, the Fund hereby demands that the Manager promptly deliver to the Fund's counsel, McCarthy Tétrault LLP at Suite 5300, Toronto Dominion Bank Tower, 66 Wellington Street West, Toronto, Ontario M5R 1E6 (Attention: Jonathan Grant) all records, including, without limitation, electronic records or data in a form accessible to the Fund of or relating to the affairs of the Fund in the custody, possession or control of the Manager or any of its delegates of affiliates (including, without limitation, (i) a current list of the shareholders of the Fund; (ii) copies of all requests seeking redemption of Class A shares of the Fund that are outstanding; (iii) all other information relating to the holders of Class A shares of the Fund on a per series and per shareholder basis; (iv) all contracts to which the Fund is a party or is otherwise bound (to the extent not previously delivered to McCarthy Tétrault LLP);(v) all accounting books and records for the year ended August 31, 2013 and the interim period ending September 30, 2013, including, without limitation, the general ledger, trial balances, all sub ledgers, all excel work sheets and other work product used to support accounting balances and/or note financial statement note disclosure and all working papers prepared for KPMG LLP to complete the Fund's fiscal 2013 financial statement audit; (vi) all records relating to any investment held by the Fund in any portfolio company or otherwise, including, without limitation, contact information for all investee companies of the Fund and their respective securityholders; (vii) the identity, contact name, telephone number and email address of all third party suppliers who provide services to the Fund, GWC or any of their respective affiliates to assist the Manager with its obligations under the Management Agreement, including, without limitation, auditors, valuators, shareholder recordkeeping service providers, technology licensors, and commissions payable service providers; (viii) all tax records; (ix) all bank account and related records; and (vii) all brokerage or similar account and related records).

Yours truly,

GrowthWorks Canadian Fund Ltd.

C. Ian Ross
Chairman

Exhibit "A"

Exhibit A

BCSC

British Columbia Securities Commission

By email

April 16, 2013

File #119978

David Levi
David Balsdon
Growth Works Capital Ltd.
2600 – 1055 West Georgia Street
Vancouver, BC V6E 3R5

Dear Messrs Levi and Balsdon:

Growth Works Capital Ltd. (GWC) - Compliance Examination

We provide you the results of our most recent compliance field examination. The purpose of our examination was to assess your overall business conduct, system of compliance, and internal controls against the regulatory requirements of BC's securities legislation.

This exam report describes weaknesses we identified in GWC's system of compliance procedures and internal controls. In this letter, we use *GWC* to mean Growth Works Capital Ltd. and Growth Works WV Management Ltd, as Growth Works Capital Ltd. conducts registerable activities for Growth Works WV Management Ltd.

We identified nine significant deficiencies, which are set out in this letter. We cite the relevant rules and requirements in the *Securities Act* [RSBC 1996] Chapter 418 (Act), the *Securities Rules* B.C. Reg. 194/97 (Rules), and National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (NI 31-103) in Appendix A.

We have significant concerns about GWC's conduct as a portfolio manager and an investment fund manager. We are considering further regulatory action.

In the interim, we propose that GWC and Working Opportunity Fund (EVCC) Ltd. (WOF) provide us with undertakings pursuant to section 57.6 of the *Act*. Copies of the undertakings are attached to this letter. We request that signed copies of these undertakings be returned to us by **April 26, 2013**.

We also require, in the interim, that GWC respond in writing **by May 15, 2013** with its plans (including timelines) to ensure that the deficiencies cited in this letter are not repeated and to ensure, that GWC has a substantive culture of compliance in which serious issues are flagged and dealt with appropriately.

We thank you for your cooperation during the examination. Please contact us if you have any questions.

Yours truly,

Jason Chan
Apr 16 2013 2:06 PM
CoSign

Jason Chan, CA, CFA
Compliance Examiner,
Capital Markets Regulation

Jonathan Lee
Apr 16 2013 2:09 PM
CoSign

Jonathan Lee, CA
Compliance Examiner,
Capital Markets Regulation

cc: Sandra Jakab, Director, Capital Markets Regulation
Michael Sorbo, Manager, Adviser/IFM Compliance, Capital Markets Regulation
Janice Leung, Lead Examiner, Adviser/IFM Compliance, Capital Markets Regulation
Lindy Bremner, Senior Legal Counsel, Capital Markets Regulation

BCSC

INDEX

1.0 WOF

1.1 WOF's loan of $9.5 million to the Canadian Fund—Significant deficiencies

GWC recommended that WOF lend $9.5 million to GrowthWorks Canadian Fund Ltd. (Canadian Fund) at an interest rate of 12% for a term of 12-months (WOF loan). The WOF loan is an investment, WOF received a note from Canadian Fund. See memos from GWC to WOF dated January 17, 2011, January 25, 2011 and February 3, 2011 recommending the WOF loan, the terms of the WOF loan and structure of the WOF loan. WOF's financial statements for the period ending December 31, 2011, show the investment as a "directed funds" investment of WOF's Growth and Balanced Venture Series share classes.

The points below set out what was wrong with this recommendation.

1.1.1 GWC breached its statutory fiduciary duty to WOF

In breach of section 125 of the Act, GWC did not exercise the powers and discharge the duties of its office in the best interests of WOF, nor did GWC exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances.

GWC's recommendation to make the WOF loan was not in the best interests of WOF:

- Outside investment objectives

The WOF loan was not within WOF's investment objectives for the directed funds and accordingly GWC's recommendation to make the WOF loan was not in the best interest of WOF. WOF's simplified prospectus dated November 17, 2010 (2010 prospectus) sets out the investment objectives for WOF's Growth and Balanced Venture Series share classes:

  - Page 14 of the 2010 prospectus explains that directed funds investments are "to provide significant liquidity and further investment diversification". The WOF loan did not provide liquidity. Nor would a reasonably prudent person have expected it to given the borrower's distressed financial circumstances. It caused a significant liquidity shortfall, requiring WOF to borrow $12 million on December 23, 2011. It also contributed to WOF halting redemptions on November 2, 2012.

  - Page 14 of the 2010 prospectus explains directed funds investments are generally not venture capital investments, because they provide liquidity and investment diversification. The WOF loan increased WOF's exposure to venture investments because its collectability was contingent on the Canadian Fund's ability to dispose of venture investments. Due to the difficulties Canadian Fund experienced in disposing of venture investments, repayment of the WOF loan had to be extended three times.

- Page 17 of the 2010 prospectus provides that directed funds for the Balanced Venture Series share class may be "high yield investments". However, the specific examples listed in the 2010 prospectus, such as bonds and securities or real estate investment trusts and power and pipeline income funds, are not equivalencies to the WOF loan.

- Page 17 of the 2010 prospectus provides that directed funds for the Growth Venture Series share class may be funds or pools of publically traded Canadian shares or equity securities. However, the specific examples listed in the 2010 prospectus, such as index funds that invest in component securities of broad market indexes like the S&P/ TSX Composite Index, are not equivalencies to the WOF loan.

A reasonably prudent person would ensure that any directed funds investment fit within the investment objectives specified in the 2010 prospectus, including providing significant liquidity and further investment diversification. That would demonstrate the exercise of a degree of care, diligence and skill in ensuring the investment was appropriate, met WOF's needs and addressed the risks WOF required directed funds to offset.

- Discounted rate

The interest rate on the WOF loan was at a substantial discount to market rate and accordingly GWC's recommendation to make the WOF loan was not in the best interests of WOF.

A reasonably prudent person, before recommending the WOF loan would have conducted substantial research to assess the appropriate rate of interest. That would demonstrate the exercise of a degree of care in ensuring the interest rate was reasonable, diligence in gathering information to support the interest rate, and skill in setting the interest rate. Instead, GWC's research about general interest rates offered by lenders was not relevant considering the distressed circumstances of the borrower. The initial interest rate on the WOF loan was set at 12% in March 2011, which was not an appropriate rate:

- It was much lower than the 28.5%[1] interest rate that Canadian Fund was paying to a third party lender, Roseway Capital L.P. (Roseway) on a loan made on May 28, 2010 (Roseway loan).[2]

- Canadian Fund was unable to obtain financing at 12% from other parties. At the same time as GWC was attempting to secure the WOF loan, it was seeking

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[1] Note - based on an annual $5.7 million minimum participation interest payment over the $20 million loan

[2] Note - Roseway had priority over a $36 million portfolio of securities of the Canadian Fund and WOF had priority on the remaining portfolio assets of Canadian Fund. Compliance staff are of the view the overall terms of the two loans do not justify the lower rate on the WOF loan.

longer-term credit facilities at similar rates, which did not materialize. The comparables cited in the memo from GWC to WOF dated January 25, 2011 are not specific to Canadian Fund or even other entities in a similar financial position. Further, from the fall of 2011 through the spring of 2012, Canadian Fund sought financing from several third-party lenders, but none were interested. In May of 2012, Canadian Fund secured third-party financing at a rate of 18% for the first year, increasing to 20% thereafter[3].

- When one compares the terms of the WOF loan to those of Canadian Fund's other borrowings (fees and security), the lower rate on the WOF loan is not justified.

- On December 23, 2011, WOF faced its own liquidity issues and had to borrow $15 million at an interest rate of 15%. The interest rate on the WOF loan should have been higher than 12%, given WOF borrowed at 15% and it was in a better financial position. The net asset coverage ratio of WOF as at December 31, 2011 was 17.97. The net asset coverage ratio of Canadian Fund as at February 28, 2011 was only 5.14[4].

If GWC exercised the degree of care, diligence and skill that a reasonably prudent person would exercise in recommending the WOF loan, the interest rate would not have been less than the Roseway loan and rates available from other third-parties. Further, it would not have set the rate at a level that required WOF to subsidize the loan through its own borrowing at higher rates.

GWC violated section 2, chapter 3 of its policies and procedures manual (PPM). The PPM requires GWC to act "in the best interest of an investment fund managed by GrowthWorks". In violating the provisions of its PPM, GWC also breached section 11.1 of NI 31-103. Section 11.1 of NI 31-103 required GWC to apply policies and procedures that establish a system of controls and supervision sufficient to manage the risks associated with its business in accordance with prudent business practices.

Regulation
Section 125 of the Act
Section 11.1 of NI 31-103

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[3] Note – in a letter to the Ontario Securities Commission dated June 22, 2012, Canadian Fund described its attempts to obtain third-party financing over this period. Due to the distressed financial condition of Canadian Fund, the loan eventually secured was made to GWC's parent, Matrix Asset Management Inc., who in turn lent the money to Canadian Fund on identical terms. This structure gave the third-party lender a guarantee that WOF did not have.

[4] Note - these figures were calculated from publically available documents. This is a measure that is used by other lenders, including Roseway.

1.1.2 Unsuitable sale of investments

In breach of section 13.3 of NI 31-103, GWC did not take reasonable steps to ensure that before it made a purchase or sale of a security for WOF's managed account, the purchase or sale was suitable for WOF.

On May 18, 2011, GWC as portfolio manager for WOF, invested $9.5 million in the managed account it operated for WOF. The WOF loan is an investment, Canadian Fund issued a note to WOF. The investment is a directed funds investment of WOF's Growth and Balanced Venture Series share classes.

In order for WOF to make this investment, GWC sold suitable directed funds investments of WOF's Growth and Balanced Venture Series share classes for cash. According to WOF's December 31, 2010 annual financial statements, the Growth and Balanced Venture Series were fully invested, each with less than 1% cash on hand. During 2011, GWC sold 98% and 91% of the Growth and Balanced Venture Series' directed funds investments respectively according to WOF's December 31, 2011 annual financial statements. The disposed investments included bonds, Canadian listed equities, trust units, and bank securities. These investments met the directed funds investment objectives of the Growth and Balanced Venture Series to provide significant liquidity and further investment diversification, as stated in the 2010 prospectus.

The investment in the WOF loan was unsuitable as a directed funds investment for WOF's Growth and Balanced Venture Series share classes. It did not meet the investment objectives to provide significant liquidity and further investment diversification, as described in point 1.1.1 above.

GWC's decision to sell investments in order to raise cash to invest in the WOF loan was unsuitable because:

- The $9.5 million note is not publicly traded and has less liquidity compared to the triple-A rated bonds and listed equities[5] that the Growth and Balanced Venture Series previously held.
- As at December 31, 2011, the note made up 94% and 62% of directed funds investments of the Growth and Balanced Venture Series and accordingly the portfolios were less diversified.
- The directed funds investments of the Growth and Balanced Venture Series no longer met their investment objectives as set out in the 2010 prospectus.

GWC violated section 3, chapter 3 of its PPM. The PPM requires GWC to "know and abide by the mandate set forth in the specific portfolio's prospectus". In violating the provisions of its PPM, GWC also breached section 11.1 of NI 31-103. Section 11.1 of NI 31-103, required GWC to apply policies and procedures that establish a system of

[5] Note – this information comes from the financial statements.

controls and supervision sufficient to manage the risks associated with its business in accordance with prudent business practices.

Regulation
Section 13.3 of NI-31-103
Section 11.1 of NI 31-103

1.1.3 Conflicts of interest

In breach of section 13.4 of NI 31-103, GWC did not take reasonable steps to identify existing material conflicts of interest, and material conflicts of interest that in its reasonable opinion would expect to arise, between itself, and each individual acting on its behalf, and WOF. Further, it failed to appropriately respond to these existing or potential conflicts of interest.

Section 13.4 of 31-103CP provides that a conflict of interest is any circumstance where the interests of a client and those of a registrant are inconsistent or divergent. GWC was in such a conflict of interest with WOF in recommending the WOF loan. Recommending the WOF loan breached GWC's duties to WOF under section 125 of the Act (as described in point 1.1.1 above). However, securing the WOF loan was in GWC's interest. It allowed Canadian Fund to sustain operations and in turn, GWC was able to collect accrued management fees and continued to earn management fees.

NI 31-103CP specifies three methods for responding to conflicts of interest: avoidance, control and disclosure. It states registrants should avoid the conflict if it is sufficiently contrary to the interests of a client. Recommending the WOF loan breached GWC's best interest duty to WOF (as described in point 1.1.1 above). Accordingly, recommending the WOF loan was sufficiently contrary to the interest of WOF that GWC needed to avoid the conflict entirely. It was not possible to respond to conflict using controls or disclosures.

GWC violated the conflicts policy in section 2, chapter 3 of its PPM. The PPM requires GWC to avoid any activities, interest or associations, which might interfere or give the appearance of interference with the independent exercise of their judgment, in the best interest of its managed funds. In violating the provisions of its PPM, GWC also breached section 11.1 of NI 31-103. Section 11.1 of NI 31-103, required GWC to apply policies and procedures that establish a system of controls and supervision sufficient to manage the risks associated with its business in accordance with prudent business practices.

Regulation
Section 13.4 of NI-31-103
Section 11.1 of NI 31-103

1.2 WOF's inter-series balance—Significant deficiencies

WOF has two series of share classes, the venture series (Venture series) and the commercialization series (Comm series). Under National Instrument 81-106 *Investment Fund Continuous Disclosure,* the Venture series and the Comm series are treated as separate investment funds because each has a separate portfolio of assets. Accordingly, GWC as an investment fund manager and portfolio manager of WOF owed separate obligations to each of the Venture series and Comm series.

GWC as the investment fund manager of WOF facilitated inter-series lending from the Comm series to the Venture series. As at June 30, 2012, the Comm Series had an inter-series receivable balance of $18.9 million from the Venture series. This inter-series receivable has been steadily increasing since June 30, 2011 both in terms amount and as a percentage of the Comm series NAV. On June 30, 2011, it represented 27.5% of the NAV, by December 31, 2011, it represented 31% of NAV and by June 30, 2012, it had risen to 60% of NAV. The effect of the inter-series receivable is that the Comm series is lending cash equivalent to 60% of its NAV to the Venture series.

Based on the Comm's series' 2012 interim financial statements, during the six months ending June 30, 2012:

- GWC disposed all of Comm series' non-venture investments such as bonds, deposits and income notes.
- GWC transferred 100% of the $5,869,761 proceeds from disposing portfolio assets to the Venture series.
- Comm series raised $7,143,817 from investors by issuing new shares, GWC transferred 82% of these proceeds, or $5,924,047 to the Ventures series.
- GWC used no proceeds from the sale of new Comm series shares to purchase portfolio investments.

As noted below in point 1.2.3, the sale of Comm Series investments in order to raise cash for inter-series transfers to Venture Series resulted in the Comm series having no directed funds investment as at June 30, 2012 and, therefore, it was no longer meeting its investment objectives as set out in the July 8, 2011 simplified prospectus of WOF (2011 prospectus).

The points below set out what was wrong with the inter-series transfers.

1.2.1 Standard of care to WOF

In breach of section 125 of the Act, GWC did not exercise the powers and discharge the duties of its office in the best interests of the Comm series, nor did GWC exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances.

GWC facilitating the inter-series transfers was not in the best interests of the Comm Series:

- Disposing of non-venture assets

Disposing of all of Comm series' non-venture investments such as bonds, deposits and income notes to free up cash to make inter-series transfers resulted in the Comm series portfolio not holding any non-venture investments. Pursuant to page 14 of the 2011 prospectus the purpose of non-venture investments is to provide significant liquidity and further investment diversification. The diversion of these funds to the Venture series does not reflect this purpose and accordingly was not in the best interest of the Comm series.

A reasonably prudent person would retain non-venture investments to ensure significant liquidity and further investment diversification for the Comm series. That would demonstrate the exercise of a degree of care, diligence and skill in managing the Comm series' risk profile.

- Disposing of investments

After the disposal of $5,869,761 in portfolio assets to free up cash to make inter-series transfers, the Comm series no longer met the investment objectives set out in the 2011 prospectus. In fact, it resulted in a significant reduction in portfolio assets invested and accordingly was not in the best interest of the Comm series.

A reasonably prudent person would retain portfolio assets in investments, in accordance with the 2011 prospectus. That would demonstrate the exercise of a degree of care, diligence and skill in managing the Comm series' risk profile.

- Using proceeds from the sale of Comm series shares.

GWC transferred $5,924,047 in proceeds from the sale of Comm series shares, representing 82% of proceeds raised during the 6-month period ending June 30, 2012, to the Venture series. This resulted in the Comm series not investing the proceeds in accordance with the 2011 prospectus and accordingly was not in the best interest of the Comm series.

A reasonably prudent person would invest proceeds, in accordance with the 2011 prospectus. Allowing the Comm series to use the 2011 prospectus to raise money from the public and not following the investment objectives set out in the 2011 prospectus, demonstrates a lack of care, diligence and skill in managing the Comm series.

- Failing to purchase investments

GWC used no proceeds from the sale of Comm series shares during the 6-month period ending June 30, 2012 to purchase portfolio investments in accordance with the 2011 prospectus. This was not in the best interest of the Comm series.

A reasonably prudent person would invest proceeds raised from the sale of shares in the Comm series. That would demonstrate the exercise of a degree of care, diligence and skill in managing the Comm series. Again, allowing the Comm series to use the 2011 prospectus to raise money from the public and then not following the investment objectives set out in the 2011 prospectus, demonstrates a lack of care, diligence and skill in managing the Comm series.

- Quantum of inter-series receivable

The material growing balance, percentage it represented of the Comm series NAV and the long outstanding period of the inter-series receivable increased the Comm series' risk profile. Comm series gained additional exposure to venture investments as the collectability of the inter-series receivable from the Venture series largely depended on the success of the Venture series' investments. Having such a large portion of its NAV lent to the Venture series and this additional exposure to venture investments was not in the best interest of the Comm series.

A reasonably prudent person would closely monitor receivables and ensure they did not comprise a significant portion of fund's NAV. That would demonstrate the exercise of a degree of care in ensuring the fund met its overall target asset mix and mandate. It would also demonstrate the exercise of diligence and skill in monitoring the Comm series' risk profile. Over the period from June 30, 2011 to June 30, 2012, the inter-series receivable increased from $6.2 million to $18.89 million, representing an increase in the percentage of the Comm series NAV from 27.5% to 60% of the NAV. Allowing this to occur, demonstrates a lack of care, diligence, and skill in managing the Comm series.

GWC violated section 2, chapter 3 of its PPM. The PPM requires GWC to act "in the best interest of an investment fund managed by GrowthWorks". In violating the provisions of its PPM, GWC also breached section 11.1 of NI 31-103. Section 11.1 of NI 31-103, required GWC to apply policies and procedures that establish a system of controls and supervision sufficient to manage the risks associated with its business in accordance with prudent business practices.

Regulation
Section 125 of the Act
Section 11.1 of NI 31-103

1.2.2 Conflicts of interest

In breach of section 13.4 of NI 31-103, GWC did not take reasonable steps to identify existing material conflicts of interest, and material conflicts of interest that in its reasonable opinion would expect to arise, between itself, and each individual acting on its behalf, and the Comm series. Further, it failed to appropriately respond to these existing or potential conflicts of interest.

Section 13.4 of 31-103CP provides that a conflict of interest is any circumstance where the interests of a client and those of a registrant are inconsistent or divergent. GWC was in such a conflict of interest with Comm series in carrying out the inter-series transfers.

Carrying out the inter-series transfers breached GWC's duties to the Comm series under section 125 of the Act (as described in point 1.2.1 above). However, the inter-series transfers were in GWC's interest. The inter-series transfers funded Venture series redemptions. According to WOF's June 2012 interim financial statements, if the Comm series did not transfer funds to the Venture series, the Venture series would not have generated sufficient cashflow to meet redemptions during the six months ended June 30, 2012[6]. If the Venture series was unable to meet redemptions, it would have had a negative impact on GWC because it would have hampered the sale of any new units of WOF and possibly other investment funds managed by GWC. By loaning from the Comm series to the Venture series, WOF delayed making the Venture series' cashflow issues public, which helped WOF and possibly other investment funds managed by GWC to continue raising new money. The new money raised for WOF increased the WOF assets under management by $10,000,000 and, accordingly, the fees earned by GWC.

NI 31-103CP specifies three methods for responding to conflicts of interest: avoidance, control and disclosure. It states registrants should avoid the conflict if it is sufficiently contrary to the interests of a client. Carrying out the inter-series transfers breached GWC's best interest duty to Comm series (as described in point 1.2.1 above). Accordingly, carrying out the inter-series transfers was sufficiently contrary to the interest of WOF that GWC needed to avoid the conflict entirely. It was not possible to respond to conflict using controls or disclosures.

GWC violated the conflicts policy in section 2, chapter 3 of its PPM. The PPM requires GWC to avoid any activities, interest or associations, which might interfere or give the appearance of interference with the independent exercise of their judgment, in the best interest of its managed funds. In violating the provisions of its PPM, GWC also breached section 11.1 of NI 31-103. Section 11.1 of NI 31-103, required GWC to apply policies and procedures that establish a system of controls and supervision sufficient to manage the risks associated with its business in accordance with prudent business practices.

Regulation
Section 13.4 of NI 31-103
Section 11.1 of NI 31-103

[6] Note - derived this from the relevant cashflow statements.

1.2.3 Unsuitable sale of investments

In breach of section 13.3 of NI 31-103, GWC did not take reasonable steps to ensure that before it makes a purchase or sale of a security for WOF's managed account, the purchase or sale is suitable for WOF.

GWC as the portfolio manager for WOF did not take reasonable steps to assess suitability when it sold off all the Comm series directed funds investments and transferred the cash to the Venture series. Prior to this divestment, the directed funds investments of the Comm series consisted of bonds and income notes[7]. Those investments were suitable because they met the investment objectives to provide significant liquidity and further investment diversification, as described on page 14 of the 2011 prospectus. Following the sale of these directed funds investments, the Comm series no longer held any directed funds investments that provided significant liquidity and further investment diversification.

GWC's decision to sell Comm Series investments in order to raise cash for inter-series transfers to Venture Series was unsuitable because:

- The Comm series had no directed funds investment as at June 30, 2012 and, therefore, no longer met its investment objectives as set out in the 2011 prospectus.
- The Comm series no longer had any directed funds investments to diversify the risks of venture investments. Without any directed funds investments, the risk profile of the Comm series increased due to the lack of diversification.

GWC violated section 3, chapter 3 of its PPM. The PPM requires GWC to "know and abide by the mandate set forth in the specific portfolio's prospectus". In violating the provisions of its PPM, GWC also breached section 11.1 of NI 31-103. Section 11.1 of NI 31-103, required GWC to apply policies and procedures that establish a system of controls and supervision sufficient to manage the risks associated with its business in accordance with prudent business practices.

Regulation
Section 13.3 of NI-31-103
Section 11.1 of NI 31-103

2.0 The Growthworks Canadian Fund (Canadian Fund)

2.1 The handling of Canadian Fund's distressed financial situation and related party and external financing—Significant deficiencies

Since 2010, the Canadian Fund has been in a distressed financial situation. The Canadian Fund:

[7] Note - assessed based on the financial statements.

- Failed to make sufficient divestments to generate cash for daily operations in 2011 and 2012
- Experienced liquidity and cashflow difficulties
- Halted unitholder redemptions on November 10, 2011
- Accrued management fees and other costs, which increased current liabilities significantly
- Borrowed $4 million in May 2012, and most of the proceeds were used to pay accrued management fees to GWC and to repay a portion of the existing loan to Roseway
- Incurred high costs on $33.5 million of loans at interest rates between 12% to 28.5%

Pursuant to a service agreement between GWC and GrowthWorks WV Management Ltd. (an affiliate of GWC), GWC conducts substantially all of the investment fund manager activities for the Canadian Fund and is accordingly, an investment fund manager of Canadian Fund. GWC recommended the Canadian Fund borrow:

- $20 million from Roseway, memo from GWC dated April 27, 2010
- $9.5 million from WOF, memo from GWC dated February 22, 2011
- $4 million from GrowthPoint Capital Corp. (GrowthPoint), memo from GWC dated May 10, 2012

The points below set out what was wrong with GWC's handling of Canadian Fund's distressed financial situation and its recommendations to leverage.

2.1.1 GWC breached its fiduciary duty to the Canadian Fund

In breach of section 125 of the Act, GWC did not exercise the powers and discharge the duties of its office in the best interests of the Canadian Fund, nor did GWC exercise the degree of care, diligence, and skill that a reasonably prudent person would exercise in the circumstances

GWC's failure to consider all the scenarios and actions for dealing with the Canadian Fund's distressed financial situation was not in the best interests of the fund:

- Failure to consider wind down

Despite the Canadian Fund's deteriorating financial situation since 2010, GWC did not assess on an ongoing basis the impact of winding down the fund versus maintaining the fund and continuing to incur the costs of operation.

In October 2012, in the context of a review of the Canadian Fund's request to extend the redemption halt, BCSC staff asked GWC to confirm if it has considered wind down scenarios for the fund. GWC prepared a wind down scenario in October 2012 for BCSC staff. The scenario prepared in response to the BCSC's request was overly simple, did not articulate all underlying assumptions, and assumed exiting all investments in one year –

an unrealistic assessment. GWC had no records demonstrating that it had considered a wind down scenario prior to the BCSC staff request.

A reasonably prudent person would have considered the possibility and impact of a wind down scenario on an ongoing basis after the fund ran into liquidity issues and exit difficulties in 2010. That would demonstrate the exercise of a degree of care in considering the ongoing viability of the fund. It would also demonstrate the exercise of diligence and skill in gathering and testing internal and external factors that may affect the fund's viability, particularly when a fund is in financial distress

- Failure to consider wind down over leveraging

GWC did not assess the impact of leveraging the Canadian Fund versus winding down the fund, when recommending it borrow.

During fieldwork, BCSC staff asked GWC to provide records demonstrating it considered wind down scenarios each time it recommended borrowing. GWC provided the October 2012 wind down analysis described above. GWC provided no other records to demonstrate that it had considered a wind down scenario at any other time, including when it recommended the borrowing.

A reasonably prudent person would consider the possibility and impact of a wind down scenario before recommending a financially distressed fund borrow and incur more liabilities. That would demonstrate the exercise of a degree of care in ensuring all appropriate alternatives were considered. It would also demonstrate the exercise of diligence in gathering information to assess each alternative. Finally, it would demonstrate the exercise of skill in choosing the most appropriate outcome, given the financial distress of the fund.

GWC violated section 2, chapter 3 of its PPM. The PPM requires GWC to act "in the best interest of an investment fund managed by GrowthWorks". In violating the provisions of its PPM, GWC also breached section 11.1 of NI 31-103. Section 11.1 of NI 31-103, required GWC to apply policies and procedures that establish a system of controls and supervision sufficient to manage the risks associated with its business in accordance with prudent business practices.

Regulation
Section 125 of the Act
Section 11.1 of NI 31-103

2.1.2 Fair dealing

In breach of Section 14 of the Rules, GWC did not deal fairly with the Canadian Fund.

GWC did not deal fairly when recommending the Canadian Fund borrow $33.5 million over the period May 2010 to May 2012:

- Maintaining operations to earn fees

By recommending the Canadian Fund borrow, GWC was able to obtain funds necessary to sustain the operations of the Canadian Fund and continue to earn management fees. According to the Canadian Fund's 2011 and 2012 annual audited financial statements, it paid $18.56 million of fees (including management fees, administration fees, and capital retention fees) to GWC. During most of that same period, the Canadian Fund remained halted and the unitholders could not redeem their matured units for cash.

- Borrowing to fund payment of accrued fees

On the recommendation of GWC, Canadian Fund was borrowing at interest rates ranging from 12% to 28.5%. The high cost of this borrowing only worsened the already distressed financial position of Canadian Fund and lessened the likelihood that any monies realized from divestments would be available to resume unitholder redemptions. As described in point 2.1.1 above, GWC breached its fiduciary duty to the Canadian Fund by not considering a wind down scenario before recommending the fund borrow. By not considering a wind down scenario, GWC was able to collect its accrued fees from the financing proceeds. In a wind down, GWC may not have been paid ahead of some of Canadian Fund's other obligations. On May 18, 2012, Canadian Fund obtained a $4 million loan from GrowthPoint. In that same month, it paid GWC $3.25 million in accrued fees[8].

GWC violated section 2, chapter 3 of its PPM. The PPM requires GWC to avoid any activities, interest or associations, which might interfere or give the appearance of interference with the independent exercise of their judgment, in the best interest of its managed funds. As GWC did not deal fairly when recommending the Canadian Fund borrow $33.5 million over the period May 2010 to May 2012, it violated its PPM. In violating the provisions of its PPM, GWC also breached section 11.1 of NI 31-103. Section 11.1 of NI 31-103, required GWC to apply policies and procedures that establish a system of controls and supervision sufficient to manage the risks associated with its business in accordance with prudent business practices.

Regulation
Section 14 of the Rules
Section 11.1 of NI 31-103

[8] Note - the general ledger for May 2012 shows: May 3 - $1 million to GWC for accrued fees; May 18 - $4 million from GrowthPoint (loan advance); May 18 - $1.65 million to GWC for accrued fees.

3.0 Compliance and supervision

3.1 Compliance system—Significant deficiency

In breach of Section 11.1 of NI 31-103, GWC failed to establish, maintain, and apply policies and procedures that establish a system of controls and supervision sufficient to provide reasonable assurance that the firm and each individual acting on its behalf complies with securities legislation and manage the risks associated with its business in accordance with prudent business practices.

The points below set out why GWC's compliance system failed.

GWC established and maintained a PPM that sets out:

- fiduciary duties owed to clients (Section II Staff Conduct, Chapter 1 Guidelines for Business Conduct, point 1.2 Ethical Standards on page 25 of the PPM);
- suitability obligations with respect to the operation of a client's managed account (Section IV Sales Compliance, Chapter 1 Trade Suitability, Obligation and Application on page 92 of the PPM; and Section III Trading and Portfolio Management, Chapter 3 Portfolio Management, point 3.2 Investment Objectives, Strategies and Restrictions-Venture Capital Division on page 80 of the PPM);
- conflicts of interest obligations (Section II Staff Conduct, Chapter 1 Guidelines for business conducts, point 1.7 Conflicts of Interest on page 26 of the PPM; Section II Staff Conduct, Chapter 3 Conflicts of Interest on page 35 of the PPM; and Section III Trading and Portfolio Management, Chapter 3 Portfolio Management on page 77 of the PPM); and
- fair dealing obligations (Section II Staff Conduct, Chapter 1 Guidelines for Business Conduct, point 1.2 Ethical Standards on page 24 of the PPM).

GWC failed to apply these policies and procedures to ensure a system of controls and supervision sufficient to provide reasonable assurance that the firm and each individual acting on its behalf complies with securities legislation. GWC breached its:

- statutory fiduciary duty under section 125 of the Act by:
    - recommending the WOF loan as described in point 1.1.1 above
    - facilitating the inter-series transfers as described in point 1.2.1 above
    - failing to consider all scenarios and actions for dealing with Canadian Fund's distressed financial condition, as described in point 2.1.1 above
- suitability obligations under section 13.3 of NI 31-103 by:
    - selling suitable investments in order to invest in the WOF loan which was unsuitable, as described in point 1.1.2 above
    - selling suitable investments to facilitate the inter-series transfers, as described in point 1.2.3 above.

- conflict of interest obligations under section 13.4 of NI 31-103 by:
    - recommending the WOF loan, as described in point 1.1.3 above
    - carrying out the inter-series transfers, as described in point 1.2.2 above
- fair dealing obligations under section 14 of the Rules when recommending the Canadian Fund borrow $33.5 million over the period from May 2010 to May 2012, as described in point 2.1.2 above.

Properly applied policies and procedures that manage the risks associated with a registrant's business in accordance with prudent business practices would have prevented the breaches listed above.

The failures in GWC's compliance system described above, also demonstrate that:

- David Levi, the Ultimate Designated Person for GWC breached his obligations under section 5.1 of NI 31-103 by failing to supervise the activities of the firm directed to ensuring compliance with securities legislation by GWC and each individual acting on its behalf
- David Balsdon, Chief Compliance Officer for GWC breached his obligations under section 5.2 of NI 31-103 by failing to assess compliance by GWC and individuals acting on its behalf with securities legislation

Regulations
Section 11.1 of NI 31-103
Section 5.1 of NI 31-103
Section 5.2 of NI 31-103

As we indicated above, this letter sets out the significant deficiencies we identified. We identified a number of additional deficiencies, which will be set out in a separate letter.

Appendix A

Section 125 of the Act states that every investment fund manager must exercise the powers and discharge the duties in the best interests of the investment fund, and exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances.

Section 14 of the Rules states that a registrant must deal fairly, honestly and in good faith with the clients of the registrant.

Section 5.1 *Responsibilities of the ultimate designated person* of NI 31-103 requires the ultimate designated person to:

a. supervise the activities of the firm that are directed towards ensuring compliance with securities legislation by the firm and each individual acting on the firm's behalf
b. promote compliance by the firm, and individuals acting on its behalf, with securities legislation

Section 5.2 of NI 31-103 *Responsibilities of the chief compliance officer* requires the chief compliance officer to:

a. establish and maintain policies and procedures for assessing compliance by the firm and individuals acting on its behalf, with securities legislation
b. monitor and assess compliance by the firm, and individuals acting on its behalf, with securities legislation

Section 11.1 *Compliance system* of NI 31-103 requires registered firms to establish, maintain, and apply policies and procedures that establish a system of controls and supervision sufficient to:

a. provide reasonable assurance that the firm and each individual acting on its behalf complies with the securities legislation
b. manage the risks associated with its business in accordance with prudent business practices.

Section 13.3 *Suitability* of NI 31-103 requires a registrant to take reasonable steps to ensure that, before it makes a recommendation to or accepts an instruction from a client to buy or sell a security, or makes a purchase or sale of a security for a client's managed account, the purchase or sale is suitable for the client.

Section 13.4 *Identifying and responding to conflicts of interest* of NI 31-103 requires a registrant to take reasonable steps to identify existing material conflicts of interest, and material conflicts of interested that the registered firm in its reasonable opinion would expect to arise, between the firm, including each individual acting on the firm's behalf, and a client. A registrant must respond to an existing or potential conflict of interest.

Exhibit "B"

BCSC
British Columbia Securities Commission

By email

April 30, 2013

File #119978

David Levi
David Balsdon
Growth Works Capital Ltd.
2600 – 1055 West Georgia Street
Vancouver, BC V6E 3R5

Dear Messrs Levi and Balsdon:

Growth Works Capital Ltd. (GWC) - Compliance Examination

Further to our letter of April 16, 2013, we provide you the additional results of our most recent compliance field examination. The purpose of our examination was to assess your overall business conduct, system of compliance, and internal controls against the regulatory requirements of BC's securities legislation.

This exam report describes weaknesses we identified in GWC's system of compliance procedures and internal controls. In this letter, we use *GWC* to mean Growth Works Capital Ltd. and Growth Works WV Management Ltd, as Growth Works Capital Ltd. conducts registerable activities for Growth Works WV Management Ltd.

Significant deficiencies were identified during our review, which are outlined in this report. We cite the relevant rules and requirements in the *Securities Act* [RSBC 1996] Chapter 418 (Act), the *Securities Rules* B.C. Reg. 194/97 (Rules), and National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (NI 31-103) in Appendix A.

Our concerns about GWC's conduct as a portfolio manager and an investment fund manager are serious, and we are considering further regulatory action.

We require GWC to respond in writing by **May 31, 2013** describing the steps you will take to resolve each item.

Under section 141.2(5) of the Act, the Executive Director may require a registrant to pay the costs of a compliance review. Examiners spent a total of 1,137 hours on GWC's review. The deficiencies we found are serious, and the review was complex. We are charging 20% of the exam time, 227.4 hours.

BCSC

Item 26, section 22 of the *Securities Regulation,* BC Reg. 196/197 prescribes a fee of $100 per hour for each person involved in the compliance review. Our fee for GWC's compliance review is $22,740.

Please return the attached Fee Checklist, Form 11-901F *Securities Regulation Fee Checklist* (item 26), with your payment, by cheque, by **May 31, 2013**.

We thank you for your cooperation during the examination. Please contact us if you have any questions.

Yours truly,

Jason Chan, CA, CFA
Compliance Examiner
Capital Markets Regulation

Jonathan Lee, CA
Compliance Examiner
Capital Markets Regulation

cc: Sandra Jakab, Director, Capital Markets Regulation
Michael Sorbo, Manager, Adviser/IFM Compliance, Capital Markets Regulation
Janice Leung, Lead Examiner, Adviser/IFM Compliance, Capital Markets Regulation
Lindy Bremner, Senior Legal Counsel, Capital Markets Regulation

BCSC

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3.0 Compliance and supervision

3.1 Ultimate Designated Person (UDP)—Significant deficiency

As evidenced by the significant compliance deficiencies set in our April 16, 2013 letter, and this letter, GWC's UDP, David Levi, failed to meet his responsibilities to supervise and ensure compliance by the firm, and individuals acting on its behalf, with securities legislation.

Section 5.1 of NI 31-103 requires the UDP to supervise the activities of the firm directed to ensuring compliance with securities legislation and promote compliance by the firm and individuals acting on behalf of the firm with securities legislation.

Regulation
Section 5.1 of NI 31-103

3.2 Records

Your books and records are not maintained in a manner that can be readily provided.

GWC failed to provide the following records we requested in a reasonable time period:

- Email records

We first requested the email records of key registered personnel on November 5, 2012. We then reduced the scope of the request on November 29, 2012 and required the records by January 4, 2013. GWC provided some records on January 4, 2013, January 18, 2013, and the remaining records on January 25, 2013.

- Working Opportunity Fund (EVCC) (WOF) and Growthworks Canadian Fund (Canadian Fund) records

We requested records of WOF and the Canadian Fund on January 21, 2013 and required the records by January 28, 2013. GWC was not able to provide all the records until February 5, 2013.

Section 11.5(1) of NI 31-103 requires you to maintain records to accurately record your business activities, financial affairs and client transactions and to demonstrate the extent of your compliance with applicable requirements of securities legislation. Section 11.6(1) of NI 31-103 requires records to be kept in a manner that permits it to be provided to the regulator in a reasonable period of time.

Regulation
Section 11.5(1) of NI 31-103
Section 11.6(1) of NI 31-103

4.0 Marketing

4.1 Performance disclosures

We reviewed a sample of information sheets for the Matrix Funds, including the:

- Matrix Money Market Fund
- Matrix International Balanced Fund
- Matrix Monthly Pay Fund

The disclosures at the bottom of the information sheets briefly discuss that management fees may be associated with mutual fund investments. However, the disclosure fails to clarify if the performance figure presented is gross or net of management fees. The materials could mislead the funds to assume the figures are either gross or net and the assumption might be wrong.

Section 14 of the Rules requires you to deal fairly, honestly and in good faith with your clients. Your clients are the funds. GWC's marketing information must not be misleading either to the funds or to the dealers and financial services providers the funds send the marketing materials to.

Section 15.2(1)(a) *Sales Communications – General Requirements* of National Instrument 81-102 *Mutual Funds* (NI 81-102) states that no sales communication shall be untrue or misleading. You should ensure that all marketing materials provide appropriate disclosure when quoting performance returns. In addition, you should ensure that your marketing materials disclose whether performance returns are net or gross of fees and/or other expenses.

Regulation
Section 14 of the Rules
Section 15.2(1)(a) of NI 81-102

4.2 Unsubstantiated claims

We reviewed a template letter prepared for the funds and targeted to WOF investors. The title of the letter is, "Save up to $3,000 2012-2013."

The third paragraph of the template letter claims, "Save up to $3,000 on your taxes and get proven management performance from Western Canada's most experienced venture capital team."

The letter does not provide information to support the claims of "proven management performance" and "Western Canada's most experienced venture capital team."

Section 14 of the Rules requires you to deal fairly, honestly and in good faith with your clients, the funds. You must prepare accurate marketing documentation. It must not be misleading as it is distributed by the funds to a host of dealers and financial services providers. You should ensure that all claims made in your marketing materials regarding your services, skills and performance can be substantiated.

Section 15.2(1)(a) *Sales Communications – General Requirements* of National Instrument 81-102 *Mutual Funds* (NI 81-102) states that no sales communication shall be untrue or misleading.

Regulation
Section 14 of the Rules
Section 15.2(1)(a) of NI 81-102

4.3 Performance comparison—Significant deficiency

We reviewed a two-page, August 2012 information sheet for the Matrix Small Companies Fund.

On page one of the information sheet, there is a graph chart showing three indices for, respectively, the Russell 2000, the Dow Jones, and the NASDAQ Composite. The graph shows a comparison between the three indices over a 12-year period with the Russell 2000 outperforming the Dow Jones and NASDAQ Composite. The Russell 2000 is an index of small-cap companies within the US equity universe.

There is no graph in the chart to show the performance of the Matrix Small Companies Fund. The omission of a graph showing this fund's performance implies that an investor of the Matrix Small Companies Fund will achieve a similar performance as the Russell 2000 index. Matrix Small Companies Fund is not a fund that tracks Russell 2000 and its performance is different from Russell 2000.

This is misleading because the benchmarks, the comparison period and the performance of Russell 2000 index are not relevant to the fund.

Section 14 of the Rules requires you to deal fairly, honestly and in good faith with your clients, the funds. You must prepare accurate marketing documentation that you provide to your funds. Your marketing information must not be misleading as it is distributed by the funds to a host of dealers and financial services providers.

Section 15.3(1)(c) of NI 81-102 states that sales communication shall not compare the performance of a mutual fund or asset allocation service with the performance or change of any benchmark or investment unless it explains clearly any factors necessary to make the comparison fair and not misleading.

You should ensure that all marketing materials provide appropriate disclosure when using benchmarks as a comparison

Regulation
Section 14 of the Rules
Section 15.3(1)(c) of NI 81-102

4.4 Performance benchmarks

We reviewed a four-page, January 2012 WOF Fund Insights – Venture Series brochure. Page three of this brochure presents performance data for the various series of units for the WOF. The performance data is in a table and presents two sets of figures to include and exclude the benefits of tax credits to the performance of the WOF series of funds.

The performance data including tax credits references the NASDAQ Composite Index as a benchmark. The brochure fails to disclose the relevance of the NASDAQ Composite Index as a benchmark for the performance of the various WOF series, including tax credits.

The performance data, excluding tax credits, references the Globe Peer Index as a benchmark. The brochure fails to specify which of the over 50 Globe Peer Indices is the actual benchmark for the performance of the various WOF series, excluding tax credits. Your staff advised us that the index is the Globe Retail Venture Capital Peer Index. Your brochure fails to disclose the relevance of this benchmark for the performance of the WOF series, excluding tax credits.

Section 14 of the Rules requires you to deal fairly, honestly and in good faith with your clients, the funds. You must prepare accurate marketing documentation that you provide to your funds. Your marketing information must not be misleading as it is distributed by the funds to a host of dealers and financial services providers.

Section 15.3(1)(c) of NI 81-102 states that sales communication shall not compare the performance of a mutual fund or asset allocation service with the performance or change of any benchmark or investment unless it explains clearly any factors necessary to make the comparison fair and not misleading.

You should ensure that all marketing materials provide appropriate disclosure when using benchmarks and charts as a comparison

Regulation
Section 14 of the Rules
Section 15.3(1)(c) of NI 81-102

4.5 Misleading and overly promotional language—Significant deficiency

Two of your August 2012 marketing pieces targeted to investors with Tax Free Savings Accounts (TFSA), use overly promotional and unfair performance claims. The two marketing pieces are for the GW Commercialization Fund (GW Com) and the WOF Commercialization Series (WOF Com).

The GW Com piece claims, "Get up to $4,081 or 380% more."
The WOF Com piece claims, "Get up to $10,491.83 or 1214% more."

TFSA are not constrained savings accounts. To suggest they are by referring to a 1% interest rate is misleading. Furthermore, the two documents show and emphasize the possible tax credits and potential dividends available from the two respective products. The percentage claims are a calculation of the difference between the tax credits and/or dividends compared to a savings account paying 1% interest. Showing the percentage difference between the tax credits and/or dividends to the interest paid in a savings account is misleading and inappropriate.

A more accurate comparison is to use the total dollar value of the investments to the total dollar value of the savings accounts. We provide a table below showing the total dollar value difference and a more reasonable percentage difference.

Fund/Series	Fund $ Value	Savings Account $ Value	Difference in $	Difference in %
GW Com	$25,154.39	$21,073.27	$4,081.12	19%
WOF Com	$31,356.45	$20,864.63	$10,491.82	50%

Section 14 of the Rules requires you to deal fairly, honestly and in good faith with your clients, the funds. You must prepare accurate marketing documentation that you provide to your funds. Your marketing information must not be misleading as it is distributed by the funds to a host of dealers and financial services providers.

Section 15.3(1)(a) of NI 81-102 states that sales communication shall not compare the performance of a mutual fund or asset allocation service with the performance or change of any benchmark or investment unless it includes all facts that, if disclosed, would be likely to alter materially the conclusions reasonable drawn or implied by the comparison.

Section 15.3(1)(c) of NI 81-102 states that sales communication shall not compare the performance of a mutual fund or asset allocation service with the performance or change of any benchmark or investment unless it explains clearly any factors necessary to make the comparison fair and not misleading.

Regulation

Section 14 of the Rules
Section 15.3(1)(a) of NI 81-102
Section 15.3(1)(c) of NI 81-102

Appendix A

Section 5.1 *Responsibilities of the ultimate designated person* of NI 31-103 requires the ultimate designated person to:

a. supervise the activities of the firm that are directed towards ensuring compliance with securities legislation by the firm and each individual acting on the firm's behalf
b. promote compliance by the firm, and individuals acting on its behalf, with securities legislation

Section 11.5 (1) *General requirements for records* of NI 31-103 states that a registered firm must maintain records to accurately record its business activities, financial affairs, and client transactions, and demonstrate the extent of the firm's compliance with applicable requirements of securities legislation.

Section 11.6 (1) *Form, accessibility and retention of records* of NI 31-103 states that a registered firm must keep a record that is required to keep under securities legislation in a manner that permits it to be provided to the regulator in a reasonable period of time.

Section 14 of the Rules states that a registrant must deal fairly, honestly and in good faith the clients of the registrant.

Section 15.2(1)(a) *Sales Communications – General Requirements* of National Instrument 81-102 *Mutual Funds* (NI 81-102) states that no sales communication shall be untrue or misleading.

Section 15.3(1)(a) *Prohibited Disclosure in Sales Communications* of NI 81-102 states that sales communication shall not compare the performance of a mutual fund or asset allocation service with the performance or change of any benchmark or investment unless it includes all facts that, if disclosed, would be likely to alter materially the conclusions reasonable drawn or implied by the comparison.

Section 15.3(1)(c) *Prohibited Disclosure in Sales Communications* of NI 81-102 states that sales communication shall not compare the performance of a mutual fund or asset allocation service with the performance or change of any benchmark or investment unless it explains clearly any factors necessary to make the comparison fair and not misleading.

Exhibit "C"

Introductions.

Mr. Levi and Mr. Balsdon, I asked staff to book a meeting with you because, after reviewing your records and interviewing your staff, we have identified a number of significant compliance deficiencies. The most serious is that Growth Works failed to meet its fiduciary obligations to Canadian Fund and WOF.

I have two objectives today. They are to:

1. **explain to you at a high level why we have concluded that GWC breached its fiduciary duties to Canadian Fund and to WOF**

2. **propose a course of action to address our immediate concerns**

I don't want to spend time with you today debating whether our findings are or are not valid. I do want you to understand the basic rationale for our findings. And I do want you to understand what will alleviate our immediate concerns.

Immediately following the meeting, I will send you a detailed letter setting out our findings and the rationale for making them. At that time, you will have an opportunity to contact staff to clarify anything in the letter that is unclear to you.

Let's begin, then, with our findings. The fiduciary duty obligation for investment fund managers includes these elements:

- **acting in the best interests of the fund**
- **exercising the degree of care, diligence, and skill a reasonably prudent person would exercise in the circumstances**

These standards must be met in managing each separate fund. GWC owes this duty to each separate fund it manages.

Here is what we think GWC did that failed to meet these standards.

1. Canadian Fund

GWC did not, until the Commission asked you to do it, even consider whether winding down Canadian Fund might be a better option than continuing to borrow at very high rates of interest. We think a reasonably prudent person would not only have considered a wind down option, but would have discussed it with Canadian Fund's IRC and its board of directors. It would have been in the best interests of Canadian Fund for the IRC and board to have had options to choose from.

This failure to consider options not only breached GWC's fiduciary duty to Canadian Fund, it also breached GWC's own policies and procedures.

The recommendations that GWC made to Canadian Fund to borrow $33.5 million between May 2010 and May 2012 also did not meet the requirement that you deal fairly with the fund as it became more and more clearly distressed.

Finally, instead of it being in the best interests of Canadian Fund, the recommendations to borrow were in GWC's best interests. The leveraging enabled GWC to collect accrued management fees and to continue to collect fees for managing

Canadian Fund. At the same time, it put Canadian Fund in a position of having to put all its income stream towards loan repayments and management fees, rather than being able to engage in its core business. We think GWC preferred its interests to those of the fund.

2. WOF

WOF loan

GWC's recommendation to lend $9.5 million to Canadian Fund at 12% interest was not in WOF's best interests. Nor did the recommendation demonstrate the degree of care, diligence, and skill a reasonably prudent person would take in managing WOF.

This recommendation was off-side the investment objectives for "directed funds" investments as described in the prospectus for the Growth and Balanced Venture series (which made the loan to Canadian Fund). WOF sold suitable investments that provided the intended "significant liquidity and further diversification" and replaced those suitable investments with an unsuitable investment that was not liquid (because Canadian Fund was so distressed). This also exposed this series

of shares to even more venture volatility (because the loan was made to another, distressed venture fund).

This recommendation was made on terms considerably more favourable to Canadian Fund than an arm's length transaction would have been. We know this because other loans Canadian Fund was able to secure were made at rates considerably higher than the rate WOF offered. It may have been in Canadian Fund's interest to obtain this loan at a significantly more favourable rate than would have been available commercially, but it was not in WOF's best interest. Instead, it would have been in WOF's best interests to recommend investments that fit the "directed funds" purposes, as described in the prospectus.

Inter-series transfers

GWC's recommendation to make an inter-series transfer from the Commercialization series to the Venture series was also a breach of GWC's duty to the Comm series. It was not in the best interests of the Commercialization series to:

- **dispose of all its non-venture assets**

- **transfer 100% of that disposition to Venture**

- **then raise over $7 million in new capital from investors**

- **then transfer 82% of that capital raising effort to the Venture series**

GWC used no proceeds from this new capital to purchase portfolio investments. This left the Commercialization series with no directed funds investments at June 30, 2012. Therefore, the Commercialization series was no longer meeting its investment objectives as described in the prospectus.

3. Our findings

The findings we've made about GWC's management of Canadian Fund and WOF are serious. In particular, GWC's past recommendations have been terribly conflicted, on two levels.

First, GWC has failed to understand that it must consider the best interests of each fund (including each series of a larger fund) not [exclusively] the best interests, overall, of a related group of funds.

Second, GWC has failed to understand it is the only party that has clearly benefited from the recommendations it made and the decisions it took, thus preferring its own interests to the interests of its clients, the funds.

We are so concerned about the misconduct we have already observed that we think it is necessary to take steps to protect the Canadian Fund, WOF, and those funds' investors.

We are not, ourselves, venture fund managers. So, we do not intend to substitute our business judgement for GWC's. But we do intend to get some independence into this situation.

We propose this.

WOF and GWC will provide us with undertakings to do the things we think will mitigate the risks we are immediately concerned about. This course of action would give us the comfort we need about decisions that will be made for Canadian Fund and WOF over the next critical period.

Undertaking from WOF

The first undertaking would be from WOF not to conduct any transactions with Canadian Fund, including:

- **lending to it**
- **investing in it**
- **purchasing securities of it or**
- **selling portfolio assets of WOF to buy portfolio assets from Canadian Fund**

Undertakings from GWC

The second set of undertakings would be made by GWC. GWC would:

- at its own cost (not to be passed on to any of the funds) retain an independent expert acceptable to me to prepare a written report about Canadian Fund's financial viability and the best course of action for Canadian Fund going forward

- provide that report to me and to the Canadian Fund Board

- refrain from recommending any transactions between Canadian Fund and other funds GWC manages

- provide additional financial reporting, including
    - monthly financial statements for Growth Works WV Management Ltd. and Growth Works Atlantic Ltd.
    - unaudited quarterly financial statements for Canadian Fund
    - monthly ledger, NAV, investments, and transactional information for Canadian Fund

We ask that you return the signed undertakings to us by the end of business on Friday, April 26. The undertakings will be attached to the detailed letter I send you immediately after this meeting.

If GWC does not agree, the Commission could do other things.

1. Staff could recommend that I impose conditions on GWC's registration that would address our concerns. Such a proposal would trigger an opportunity for GWC to be heard. If, after hearing GWC, I decided to impose conditions and GWC disagreed with those conditions, you could ask for a hearing and review. The conditions themselves would be public, as they would be published through the National Registration Search database. But the hearing and review process is more visibly public as all such hearings are public in conducted before a Commission panel.

2. Staff could recommend issuing a Notice of Hearing, alleging misconduct, including the misconduct I've outlined today. Staff could, at the same time, ask the Commission to make a temporary order to achieve the same things the undertakings achieve, as that would address our immediate concerns by mitigating the risk of further breaches of the sort outlined today. The moment a Notice of Hearing is issued, the situation will, of course, be public.

It is important that you understand, as well, that although the undertakings would alleviate our immediate concerns, the Commission is not constrained in taking any other steps it thinks necessary in the public interest, including those discussed above.

Do you have questions about any of the information I've just provided to you?

Exhibit D

This is Exhibit D referred to in the affidavit of C. Ian Ross sworn before me, this 9th day of January 2015

A COMMISSIONER FOR TAKING AFFIDAVITS

mccarthy tetrault

McCarthy Tétrault LLP
PO Box 48, Suite 5300
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Email: hmeredith@mccarthy.ca

January 17, 2014

Via Email (renee.brosseau@dentons.com)

Ms Renée Brosseau
Partner
Dentons Canada LLP
77 King Street West
Suite 400
Toronto, Ontario M5K 0A1
Canada

Dear Ms Brosseau:

Re: Critical Transition Services Agreement dated October 15, 2013 ("Critical Transition Services Agreement") and Actions of Growthworks WV Management Ltd. (the "Former Manager")

As you know, we are counsel to Growthworks Canadian Fund Ltd. (the "Fund") in relation to its ongoing *Companies' Creditors Arrangement Act* ("CCAA") proceedings. We are writing urgently with respect to your client's refusal to provide critical services to the Fund in violation of the initial CCAA order, as amended and restated on October 29, 2013 (the "Initial Order"), and the Critical Transition Services Agreement.

Your client, the Former Manager, was declared a critical supplier to the Fund as contemplated by Section 11.4 of the CCAA pursuant to the Initial Order. The Initial Order specifically provides that the Manager "shall supply and continue to supply the Critical Transition Services (as defined in the Critical Transition Services Agreement) pursuant to and as set out in the Critical Transition Services Agreement". Among the Critical Transition Services that the Former Manager is obliged to provide in accordance with the Critical Transition Services Agreement and the Initial Order are the following:

1. "Assistance with the Fund's ongoing audit and valuation for fiscal 2013 as required by KPMG, which includes signing the management representation letter in favour of the auditor and assistance of certain employees of the Manager to complete and provide working papers to KPMG, answer questions, provide follow up information, and otherwise assist KPMG, as required" (Section 2(a) of the Critical Transition Services Agreement); and,

2. "Providing information to the Fund based on reasonable requests made by the Fund" (Section 2(d) of the Critical Transition Services Agreement).

In direct violation of the Initial Order and the Critical Transition Services Agreement, the Former Manager has indicated that it has intentionally ceased providing the requisite Critical Transition Services to the Fund. Specifically, on January 15, 2014, Clint Matthews of the Former Manager indicated that he had been told to stop doing any work for the Fund pending "resolution" of the Former Manager's demand for payment from the Fund relating to insurance costs. On January 16, 2014, Jody Dubick of the Manager then refused "for the time being" to provide a shareholder report relating to the Fund's audit stating "[t]he disagreement regarding insurance is the cause".

This refusal to provide Critical Transition Services is entirely unacceptable and in violation of the Critical Transition Services Agreement and the Initial Order. We require confirmation today that the Former Manager will be resuming the Critical Transition Services forthwith, failing which we will be forced to seek relief from the Court.

Delivery of these services is critical to the operation of the Fund during the CCAA proceedings and to its restructuring. Among other things, the audit function is critical to the sale and investor solicitation process that is currently underway. It was due to the importance of these functions to the Fund and its restructuring that the Former Manager was declared a Critical Supplier by Court order and the Critical Transition Services Agreement put in place and approved by the Court. Your client is not entitled to unilaterally withhold services that it is obliged to deliver both by Court order and by written agreement and doing so is not only a violation of the Initial Order but also it is jeopardizing the restructuring of the Fund.

If the Former Manager continues to wrongfully withhold these services and fails to deliver to the Fund its property, the Fund will seek an order compelling the Former Manager to abide by the Court order and will seek damages and costs.

We understand that the reason the Former Manager has refused to provide the Critical Transition Services to the Fund is due to a dispute relating to insurance payments. First and foremost, any such dispute is irrelevant to the Former Manager's obligation to provide the Critical Transition Services to the Fund pursuant to the Initial Order and Critical Transition Services Agreement. A critical supplier is not entitled to withhold critical services to force a payment from a debtor company with respect to a matter in dispute. That is precisely the mischief the critical supplier provisions of the CCAA are intended to prevent. It is also the reason the Initial Order specifically sets out that "No Critical Supplier may require the payment of a deposit or the posting of any security in connection with the supply of such services after the date of this Order" and why a critical supplier is granted a charge over the debtor's property to provide protections to it in the event it is not paid for amounts to which it is entitled. A critical supplier is not entitled to withhold critical services that are required by Court order.

Secondly, the Fund has no obligation to make a payment for insurance amounts as demanded by the Former Manager. The insurance is not a Critical Transition Service as set out in the Critical Transition Services Agreement. The Former Manager arranged the insurance, which covers directors and officers of many companies, in compliance with its obligations under the July 15, 2006 management agreement long before the CCAA filing. To the extent the Former Manager has a claim for amounts paid prior to the CCAA filing, it can advance such claims in the claims process presently underway.

Finally, if your client believes it has a legitimate basis for receiving payment for the insurance amount notwithstanding the foregoing, such a dispute should be raised with the CCAA Monitor and, if not resolved, then with the Court. Withholding the Critical Transition Services in an effort to force payment of an amount the Fund disputes is not an acceptable reaction and is a plain violation of the Initial Order.

Please confirm today that the Former Manager will resume providing the Critical Transition Services and will provide the Fund with access to its property, including the shareholder report, forthwith. If we do not hear from you today, we will be seeking a 9:30 a.m. appointment urgently next week to compel your client to comply with its obligations under the Initial Order and will seek damages and costs in relation thereto.

Yours truly,

McCarthy Tétrault LLP

Per:

Heather L. Meredith

HLM/sty

c. Kevin McElcheran and Jonathan Grant (by email)
Marc Wasserman and Caitlin Fell (by email)
Paul Bishop and Jodi Porepa (by email)

13111489

Exhibit E

This is Exhibit E referred to in the affidavit of C. Ian Ross sworn before me, this 9th day of January 2015

A COMMISSIONER FOR TAKING AFFIDAVITS

Kour, Sharon

From:	Meredith, Heather L.
Sent:	Friday, January 17, 2014 5:32 PM
To:	'Brosseau, Renée'
Cc:	McElcheran, Kevin; Grant, Jonathan R.
Subject:	FW: Growthworks - Urgent Letter re: Critical Transition Services Agreement and Actions of the Former Manager
Attachments:	[Untitled].pdf

Renee:

Ian received the below note from Chris Morris who we understand is an officer of your client's secured lender. I take it that this is the note you mentioned, which you said would come from David Levi. As noted in our letter, we received two written statements from employees of the former Manager indicating that they are refusing to perform critical transitional services. Given the clear refusal, we need a clear confirmation from the Former Manager (or you as its counsel) that the Former Manager will perform the Critical Transition Services, including work on the audit, and that the Former Manager will provide the shareholder report. Despite Mr. Morris' expressed view that the refusals to perform those duties were mistaken, the secured lender is not in a position to perform these functions - only the Former Manager is, and we need direct confirmation.

With respect to any issue relating to payables and pace of payment for transitional services, we are only aware of the insurance issue, which was addressed in my letter. I would be pleased to discuss that with you if it is helpful. If there are other issues, please advise and we can work through those within the framework of the Critical Transition Services Agreement.

Sincerely,

mccarthy tetrault

Heather Meredith
Partner | Associée
Bankruptcy & Restructuring | Faillite et restructuration
T: 416-601-8342
C: 416-725-4453
F: 416-868-0673
E: hmeredith@mccarthy.ca

McCarthy Tétrault LLP
Suite 5300
TD Bank Tower
Box 48, 66 Wellington Street West
Toronto ON M5K 1E6

From: Christopher Morris
Sent: Friday, January 17, 2014 4:40 PM
To: Ian Ross; William Rogers
Cc: David Levi; Conrad Krebs

Subject: FW: Growthworks - Urgent Letter re: Critical Transition Services Agreement and Actions of the Former Manager

Dear Ian and Bill,

David passed onto me the attached letter from your counsel. Mr. Matthews was mistaken in his email, to which you refer; the Former Manager is aware of its obligations under the CCAA and is not withholding Critical Transition Services. Clearly there is some friction between the Fund and the Former Manager with respect to some payables and the speed of payment for some of the Critical Transition Services; my hope is that we can resolve this by a discussion between us, as I indicated to you in my emails over the last couple of days.

I await your response,

Best,

Christopher

Christopher Morris

R.C. MORRIS & COMPANY

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Vancouver, BC, V6B 1P2
www.rcmorris.com

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Fax: +1 604 639 8290

From: David Levi <david.levi@matrixasset.ca>
Date: Friday, January 17, 2014 at 1:02 PM
To: Clint Matthews <clint.matthews@matrixasset.ca>, Christopher Morris <cmorris@rcmorris.com>, Conrad Krebs <conrad@rcmorris.com>
Subject: FW: Growthworks - Urgent Letter re: Critical Transition Services Agreement and Actions of the Former Manager

---

David Levi
President & CEO
Matrix Asset Management Inc.
Phone : 604-633-1418
Fax : 604-688-9621
www.matrixasset.ca

Exhibit F

This is Exhibit F referred to in the affidavit of C. Ian Ross sworn before me, this 9th day of January 2015

A COMMISSIONER FOR TAKING AFFIDAVITS

Former Manager's Invoices and Payment Status

Invoice Number	Service Period	Description	Amount of Invoice	Amount Paid (inc. HST)	Status
Invoice 1	Oct 1 - 18, 2013	Labour including allocation of CS team	$ 21,587.10	$ -	Customer Support is not an approved activity under the CTSA - invoice cancelled
Invoice 2	Oct 21 - 25, 2013	Labour including allocation of CS team	$ 12,302.13	$ -	Customer Support is not an approved activity under the CTSA - invoice cancelled
Invoice 3	Oct 1 - Oct 25, 2013	Expenses	$ 56,651.29	$ -	Management overhead such as rent included - invoice cancelled
Invoice 4	Oct 28 - Nov 1, 2013	Labour including allocation of CS team	$ 12,284.86	$ -	Customer Support is not an approved activity under the CTSA - invoice cancelled
Invoice 5	Oct 26 - Nov 1, 2013	Expenses	$ 15,789.56	$ -	Management overhead such as rent included - invoice cancelled
Invoice 6	Nov 4 - Nov 9, 2013	Labour including allocation of CS team	$ 13,443.50	$ -	Customer Support is not an approved activity under the CTSA - invoice cancelled
Invoice 7	Oct 1 - Nov 15, 2013	Adjust CS Team from specific people and hours to allocation of total team's time	$ 21,811.00	$ -	Customer Support is not an approved activity under the CTSA - invoice cancelled
Invoice 8	Nov 2 - Nov 9, 2013	Expenses	$ 16,315.88	$ -	Management overhead such as rent included - invoice cancelled
Invoice 9 Labour (	Oct 1 - Nov 15, 2013	CS Time from Invoice # 1,2,4,6,7	$ 39,072.00	$ -	Cancelled
Invoice 9	Oct 1 - Nov 15, 2013	Just Systems Expense	$ 6,668.41	$ 6,668.41	Approved

Former Manager's Invoices and Payment Status

Invoice Number	Service Period	Description	Amount of Invoice	Amount Paid (inc. HST)	Status
Invoice 10	Oct 1 - Oct 18, 2013	Revised invoice #1 without CS Team	$ 17,527.94	$ 17,846.91	Incorrect Hourly Rate, Revised Amount Approved
Invoice 11	Oct 21 - Oct 25, 2013	Revised invoice #2 without CS Team	$ 9,815.93	$ 10,449.39	Incorrect Hourly Rate, Revised Amount Approved
Invoice 12	Oct 28 - Nov 1, 2013	Revised invoice #4 without CS Team	$ 10,805.02	$ 11,551.40	Incorrect Hourly Rate, Revised Amount Approved
Invoice 13	Nov 4 - Nov 9, 2013	Revised invoice #6 without CS Team	$ 7,227.50	$ 7,751.61	Incorrect Hourly Rate, Revised Amount Approved
Invoice 14	Nov 12-Nov 15, 2013	Labour without CS Team	$ 4,597.93	$ 4,998.56	Incorrect Hourly Rate, Revised Amount Approved
Invoice 15	Nov 18-Nov 24, 2013	Labour	$ 4,526.83	$ 5,115.32	Approved
Invoice 16	Nov 25 - Dec 1, 2013	Labour	$ 3,203.24	$ 3,619.66	Approved
Invoice 17	Oct 1 - Nov 30, 2013	Insurance	$ 40,289.92	$ -	Rejected
Invoice 18	Dec 2 - Dec 8, 2013	Labour	$ 2,033.70	$ 2,298.08	Approved
Invoice 19	Oct 1 - Nov 15, 2013	CS Team Time	$ 32,663.37	$ 36,909.61	Approved under MOU
Invoice 20	Dec 9 -Dec 20, 2013	Labour	$ 3,584.42	$ 4,050.39	Approved under MOU
Invoice 21	Oct 1 - Dec 27, 2013	Just Systems	$ 13,336.82	$ 14,065.97	Approved under MOU
Invoice 22	Oct 1 - Nov 21, 2013	Lillia Lam and Tony Rautava	$ 1,753.76	$ 1,981.75	Approved under MOU
Invoice 23	Nov 13 -Jan 10, 2014	Lilia Lam and Tony Rautava	$ 454.90	$ 514.04	Approved under MOU
Invoice 24	Dec 20 - Jan 10, 2014	Labour	$ 2,802.33	$ 3,166.63	Approved under MOU
Invoice 25	Jan 11 - Jan 17, 2014	Labour	$ 1,573.89	$ 1,778.50	Approved under MOU (wrong hourly rate, revised invoice approved)
Invoice 26	January 18 -24, 2014			$ 1,486.01	Paid
Invoice 27	Nov 18 - Dec 6, 2014	CS Team Time	$ 8,862.56	$ 10,014.69	Declined but subsequently paid as adjusted
Invoice 28	Dec 9 - Dec 31, 2013	CS Team Time - Hourly Rate	$ 2,811.43	$ 3,176.92	Declined but subsequently paid as adjusted
Invoice 29	Dec 28 - Jan 31,2014	Just Systems	$ 5,129.54	$ 5,409.98	Approved

Former Manager's Invoices and Payment Status

Invoice Number	Service Period	Description	Amount of Invoice	Amount Paid (inc. HST)	Status
Invoice 30		FundServ - Oct 2013 pricing	$ 3,748.28	$ -	Expenses have not been approved
Invoice 31	January 25 - February 7, 2014			$ 2,146.75	
Invoice 33	Jan - March 2014	CS Team Time, Clint Tim time - Hourly Rate	$ 12,704.15	$ 11,781.98	Approved - adjustment required because invoice 43 bills some non-CS time again
Invoice 34		RC Morris Invoice		$ 386.33	
Invoice 37	March 31- April 11	CS Team, Clint Tim Jody time -Hourly	$ 2,949.29	$ 3,332.70	Approved
Invoice 39	April 14 - May 2, 2014	CS Team, Hourly	$ 1,819.17	$ 2,055.66	Approved
Invoice 40	May 5 - May 30, 2014	CS Team, Hourly	$ 767.29	$ 867.04	Approved
Invoice 41	Expenses Oct - June	Just Systems, FundServ, Concentra	146.561.96	$ -	Declined. Just Systems not allocated correctly, Fundserv and Concentra not approved.
Invoice 42	Nov - March	Adjustment on how staff time billed	$ 53,995.13	$ -	Declined. Not consistent with MOU or Transistion Services
Invoice 43	Feb March	Clint, Jody, Bryan time hourly	$ 2,050.06	$ 2,316.57	Approved
N/A	October 2013 to June 2014	Just Systems		$ 22,607.31	Paid

Exhibit G

This is Exhibit G referred to in the affidavit of C. Ian Ross sworn before me, this 9th day of January 2015

A COMMISSIONER FOR TAKING AFFIDAVITS

Kour, Sharon

From:	Grant, Jonathan R.
Sent:	Tuesday, December 30, 2014 10:39 PM
To:	Conrad Krebs
Cc:	Kibben Jackson; 'Bishop, Paul'; 'Porepa, Jodi'; 'Wasserman, Marc'; Caitlin Fell (cfell@osler.com); 'Aubrey E. Kauffman'; Ng, Emily
Subject:	Re: Growthworks Canadian Fund records

Conrad, the Fund does wish to have possession of these files. The Fund will arrange for a courier to pick up the boxed files at its expense but is of the view that the cost of packing the files should be an expense of the Former Manager. Let me know when the boxes are ready and the pick up location and we will arrange for the courier to get them.

Jonathan

Sent from my BlackBerry 10 smartphone on the Bell network.

From: Conrad Krebs
Sent: Tuesday, December 30, 2014 4:44 PM
To: Grant, Jonathan R.
Cc: Kibben Jackson; 'Bishop, Paul'; 'Porepa, Jodi'; 'Wasserman, Marc'; Caitlin Fell (cfell@osler.com); 'Aubrey E. Kauffman'; Ng, Emily
Subject: Growthworks Canadian Fund records

Jonathan -

In consolidating its storage facilities, the Former Manager has discovered some files in Winnipeg that relate to historical investments made by the ENSIS Growth Fund, a precursor to the GW Canadian Fund. I am told that they amount to a tall 4-drawer filing cabinet full of binders, which I would approximate at 6-8 banker's boxes.

Please advise if the Fund would like to take possession of these files.

If so, we will enquire as to the cost of boxing up the shipment, which will be billed to the Fund directly. Once the boxes are prepared for shipment, we will provide the location details so that the Fund can order a courier for pickup.

Best,

Conrad

Conrad Krebs

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

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

ONTARIO
SUPERIOR COURT OF JUSTICE - COMMERCIAL LIST
Proceeding commenced at Toronto

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(sworn January 9, 2015)

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RESPONDING MOTION RECORD
(RETURNABLE FEBRUARY 17, 2015)

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