



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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**IN THE MATTER OF THE *SECURITIES ACT*,
R.S.O. 1990, c. S.5, AS AMENDED**

- and -

**IN THE MATTER OF AN APPLICATION BY THE SPECIAL COMMITTEE OF
DIRECTORS OF THE VENGROWTH FUNDS**

- and -

**IN THE MATTER OF GROWTHWORKS CANADIAN FUND LTD. AND
GROWTHWORKS LTD.**

**ORDER
(Section 127 of the Act)**

WHEREAS The VenGrowth Investment Fund Inc., The VenGrowth II Investment Fund Inc., The VenGrowth III Investment Fund Inc., The VenGrowth Advanced Life Sciences Fund Inc. and the VenGrowth Traditional Industries Fund Inc. (collectively, the “**VenGrowth Funds**”) are registered as labour-sponsored venture capital corporations under the *Income Tax Act (Canada)* (“**LSVCCs**”);

AND WHEREAS each of the VenGrowth Funds is a mutual fund and reporting issuer under Ontario securities law;

AND WHEREAS GrowthWorks Canadian Fund Ltd. (“**GrowthWorks**”) is an LSVCC and a mutual fund and reporting issuer under Ontario securities law;

AND WHEREAS on May 2, 2011, the Special Committee of Directors of the VenGrowth Funds (the “**Special Committee**”) applied to the Ontario Securities Commission (the “**Commission**”) for an order under paragraphs 2 and 5.ii of subsection 127(1) of the Ontario *Securities Act*, R.S.O. 1990, c. S.5 (the “**Act**”) prohibiting GrowthWorks and GrowthWorks Ltd. from continuing to solicit VenGrowth shareholders and from taking further steps in pursuit of its proposed acquisition of the VenGrowth Funds, unless it complies with Ontario securities law and applicable corporate law (the “**Application**”);

AND WHEREAS we heard the Application on June 1 and June 2, 2011 (the “**Application Hearing**”);

AND WHEREAS VenGrowth Capital Management Inc., VenGrowth II Capital Management Inc., VenGrowth III Capital Management Inc., VenGrowth Advanced Life Sciences Management Inc., and VenGrowth Traditional Industries Management Inc. (collectively, the “**VenGrowth Managers**”) applied for and on consent were granted limited intervenor status under Rule 1.8 of the Commission’s *Rules of Procedure* (2010), 33 O.S.C.B. 8017;

AND WHEREAS counsel for VenGrowth, GrowthWorks, the VenGrowth Managers and Staff of the Commission (“**Staff**”) appeared at the Application Hearing and presented evidence and made submissions;

AND WHEREAS on March 14, 2011, GrowthWorks mailed an Information Circular (the “**GrowthWorks Information Circular**”) and a form of support agreement (the “**Support Agreement**”) to VenGrowth shareholders, filed them on SEDAR and posted them on a GrowthWorks website;

AND WHEREAS the Support Agreement purports, among other matters, to give GrowthWorks an irrevocable power of attorney to requisition meetings of the VenGrowth shareholders and to vote the VenGrowth shareholders’ shares in favour of a proposal by GrowthWorks to buy the assets of the VenGrowth Funds in exchange for shares issued by GrowthWorks (the “**GrowthWorks Proposal**”);

AND WHEREAS VenGrowth alleges that the GrowthWorks Proposal contravenes the proxy solicitation requirements of Ontario securities law and section 148 of the *Canada Business Corporations Act*; that it is inconsistent with the animating principles underlying the Act’s requirements for take-over bids and proxy contests; and that GrowthWorks’ public statements, including statements made in the GrowthWorks Information Circular, are incomplete and materially misleading;

AND WHEREAS GrowthWorks has received over 10,500 Support Agreements from VenGrowth shareholders representing over eight million VenGrowth shares and approximately 7.5 to 10.8 percent of VenGrowth shareholders (the “**Supporting Shareholders**”);

AND WHEREAS on May 13, 2011, GrowthWorks announced its intention that, despite the irrevocable nature of the power of attorney granted by the Support Agreements, VenGrowth shareholders who have executed or will execute Support Agreements will be given the right to revoke the Support Agreements, or limit the authority granted to GrowthWorks under the Support Agreements to the requisition of shareholder meetings;

AND WHEREAS GrowthWorks submits that the GrowthWorks Proposal provides prospectus-level disclosure to VenGrowth shareholders, does not contravene Ontario securities law and is not abusive of the capital markets so as to justify the Commission intervening in the public interest;

AND WHEREAS we find that it is in the public interest to make this Order;

IT IS ORDERED, pursuant to subsections 127(1)2 and 127(2) of the Act, that any issuance of securities by GrowthWorks, GrowthWorks Ltd. or any related entity in connection with the GrowthWorks Proposal is cease traded (including all acts, advertisements, solicitations, conduct or negotiations directly or indirectly in furtherance of any such trade) unless and until:

(i) such time as GrowthWorks ceases to have any right, power or authority to vote, on any matter, the shares of the VenGrowth Funds that are or may become subject to the Support Agreements, and

(ii) GrowthWorks publicly announces that it has ceased to have any such voting rights;

provided that this Order shall not affect:

(a) the ability of GrowthWorks to requisition a shareholders' meeting or meetings of the VenGrowth Funds pursuant to the authority granted under the Support Agreements, or

(b) the ability of GrowthWorks to hereafter solicit, in accordance with applicable law, proxies for use at any shareholders' meeting or meetings of the VenGrowth Funds.

DATED at Toronto this 9th day of June, 2011.

"James E. A. Turner"

James E. A. Turner

"Mary G. Condon"

Mary G. Condon