

**THE QUEEN'S BENCH
Winnipeg Centre**

BETWEEN:

THE MANITOBA SECURITIES COMMISSION,

Applicant,

- and -

CROCUS INVESTMENT FUND,

Respondent.

**RECEIVER'S REPORT 9.1
DATED: October 10, 2007**

**DELOITTE & TOUCHE INC.
Receiver and Manager
CROCUS INVESTMENT FUND
2300 - 360 Main Street
Winnipeg, Manitoba
R3C 3Z3**

Telephone: (204) 942-0051

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BACKGROUND

1. On June 28, 2005, pursuant to an Application made by The Manitoba Securities Commission ("MSC") under Section 27 of *the Securities Act*, The Court of Queen's Bench (the "Court") made an Order appointing Deloitte & Touche Inc. (the "Receiver") as Receiver and Manager of Crocus Investment Fund ("Crocus").
2. On October 27, 2005, the Court approved a plan by the Receiver regarding the administration of the within receivership on a go forward basis. That plan contemplated the orderly wind down of the operations of Crocus and distribution of the proceeds of sale to creditors and shareholders of the Company.
3. During the course of its administration, the Receiver filed Report #9 which described its intention to conduct its own investigation as to the manner in which the business and affairs of Crocus were conducted prior to the making of the Receiving Order, including matters which might impact on the class action proceeding instituted by Bernard W. Bellan (the "Class Action"). It was the intention of the Receiver as expressed in Report # 9 to make its findings available to the Court. At that time, the Receiver also raised the potential that the findings might also be available to parties involved in the Class Action and other proceedings, but subject first to any rulings by the Court as to the appropriate mode and extent of distribution. The Receiver has now completed a report arising from its review of company records and now makes this Application for advice and direction as to the mode and extent of its distribution.
4. On September 21, 2007, in anticipation of the completion of the report, counsel to the Receiver wrote to Madam Justice McCawley with a suggested process for an application to consider the mode and extent of its distribution. Attached as Appendix "A" is a copy of the said letter.

5. On October 4, 2007, counsel for the Receiver received a response from Madam Justice McCawley to his letter and has since arranged for a hearing date of October 25, 2007. Attached as Appendix "B" is a copy of the letter from Madam Justice McCawley.

RECEIVER'S RECOMMENDATIONS

6. The procedure to consider the mode and extent of the distribution proposed by the Receiver was as follows:

- (a) The Receiver suggested that the judge should receive the report first. This is simply a reflection of the fact that the Receiver reports to the Court and the Court's possession and review of the report is consistent with that relationship. In addition, possession of the report by the Court would assist the Court in hearing the submissions of interested parties concerning the distribution of the report. Given the contents of Appendix "B", the Receiver will continue to hold Madam Justice McCawley's copy until requested by the Court (This is consistent with our stated course of action in Receiver's Report # 9);
- (b) The Receiver further suggests that, before the report is distributed to any party, the Receiver be authorized to do so by the Court. To the extent that this is a report made in the administration of a Court appointed receivership the Receiver considers itself entitled to assume that the privilege afforded court proceedings is applied to this report and requests the Court's authorization and direction to confirm that result;
- (c) The Receiver further suggested that the Receiver's report be provided initially to:

(i) parties associated with the Class Action, including Chubb Insurance;

A. The Receiver's findings and conclusions result from an analysis of corporate records and, unlike a formal court proceeding, it did not conduct extensive interviews or examinations of the various parties involved. The Receiver therefore recommends that these parties receive a copy of the report under appropriate confidentiality provisions to give them a chance to make a considered submission to the Court about the mode and extent of distribution to the public;

B. The Receiver is of the view that the parties associated with the Class Action should receive the contents of the report in any event. One of the purposes of the report was to enable the Receiver to have information with which it could advance positions in both the Class Action or in future receivership proceedings. It is the Receiver's opinion that, at a minimum, the report should be provided to the parties named in the Class Action;

and

(ii) the RCMP;

The Receiver further recommends the distribution of the report, in the first instance, to the RCMP pursuant to the Order of this Honourable Court dated October 23, 2005, a copy of which is attached to Appendix "A";

- (d) If this Honourable Court is prepared to grant a preliminary distribution of the Records Review Report as suggested by the Receiver, the Receiver proposes that it do so only upon appropriate undertakings to be provided by Initial Recipients and others. In that regard, the Receiver recommends that this Honourable Court order as set out in the attached draft Order marked as Appendix "C".

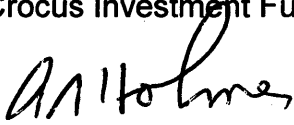
- (e) the Receiver further suggests a second hearing be set at which time interested parties would have the opportunity to make submissions regarding an extended distribution of the report. The Receiver leaves it to the interested parties to make their respective submissions at that time. The Receiver points out, however, that there are approximately 34,000 shareholders of Crocus Investment Fund, some of whom may wish to have some explanation as to what went wrong with their investment. To date, the administration of the Crocus receivership has been conducted in an open and transparent manner and all reports of the Receiver have been posted on the Receiver's website. Over the past number of months, the Receiver has received inquiries from some shareholders and the press as to when they might receive its report. Prior to distributing the report the Receiver would like the advice and direction of the Court with respect to this matter and should the direction of the Court be to post the Report then the Receiver would like a specific Order of the Court directing it to do so.

7. The Receiver therefore requests the advice and direction of this Court as to the appropriate mode and extent of distribution of the Records Review report and invites interested parties to make their own submissions on the mode and extent of distribution of the report. The Receiver's position is that it is not obligated to pay the legal fees of any of the Class Action counsel for reviewing the report, either alone or with their clients, or to make any attendances before this court to argue these issues.

8. In making this request for advice and direction, the Receiver notes that, as matters now stand, a certification hearing for the Class Action has been set for January 14, 2008 and there are parties to the Class Action proceedings who are therefore anxious to have early knowledge as to the contents of the records that have been reviewed by the Receiver.

RESPECTFULLY SUBMITTED BY:

Deloitte & Touche Inc. in its capacity as
Court-Appointed Receiver and Manager
of Crocus Investment Fund



Per: A.R. Holmes
Senior Vice-President

APPENDIX “A”

Appendix "A"

WRITER'S E-MAIL: rdewar@hilco.mb.ca
WRITER'S EXTENSION: 235

September 21, 2007

The Honourable Madam Justice McCawley
Court of Queen's Bench
The Law Courts
Room 226 - 408 York Avenue
Winnipeg, MB R3C 0P9

DELIVERED

Your Ladyship:

Re: Manitoba Securities Commission v. Crocus Investment Fund
Q.B. Suit No. CI 05-01-43350

You will recollect that in Receiver's Report #9, the Receiver indicated that it was embarking upon an investigation into the business and affairs of Crocus. The Receiver is now close to completing its report from that investigation and wishes to set up some time before the Court to seek the direction of the Court as to distribution of the report.

We propose to send a copy of the report initially to Your Ladyship, but refrain from placing same in the court pocket or delivering the report to others at that time. It is the Receiver's submission that, upon receiving the Court's authorization, copies of the report should be made available to the following persons in the first instance:

1. Counsel to the parties listed as Defendants in the Crocus Class Actions. For ease of reference, these counsel are:
 - a) Mr. J. R. Norman Boudreau of Booth Dennehy LLP;
 - b) Mr. J. Kenneth McEwan, Q.C., of Farris, Vaughan, Wills & Murphy LLP;
 - c) Mr. David A. Klein of Klein Lyons;
 - d) Mr. E. W. Olson of Thompson Dorfman Sweatman;
 - e) Mr. Robert Tapper of Tapper Cuddy;
 - f) Mr. William S. Gange of Gange Goodman & French;
 - g) Mr. David I. Marr of Campbell Marr LLP;
 - h) Mr. J. A. Fabello of Torys LLP;
 - i) Mr. William E. Pepall of Hennan Blaikie;
 - j) Mr. David M. Wright of Aikins;
 - k) Mr. Kenneth Filkow at D'Arcy & Deacon;
 - l) Mr. P. Riley at Taylor McCaffrey;

3. Corporal L. Karpish of the RCMP, as per your Order dated October 23, 2005, a copy of which we attach;
4. Mr. Chris Besko of The Securities Commission for the Province of Manitoba;
5. Ms. Mary Margaret Fox, counsel to Chubb Insurance;

(collectively referred to as the "Initial Recipients"). However, given the notoriety of this case and the fact that there are a number of shareholders who have an interest in these proceedings, the Receiver recognizes that distribution beyond the above listed could well be appropriate, but submits that that decision ought not to be made until after those initially impacted by the report have had an opportunity to see it. The process which we therefore suggest is as follows:

1. The report is completed;
2. A copy of the report is forwarded to Your Ladyship;
3. A motion date is set in which the Receiver will request advice from Your Ladyship as to the distribution of the report to the Initial Recipients ("the First Hearing");
4. A further hearing date would be set at which time the Receiver would request advice from Your Ladyship in regards to a broader distribution of the report and any sealing conditions on the filing of the report ("the Second Hearing").

At the time of the First Hearing, no person other than yourself and the Receiver and its counsel will have seen the report and the Receiver will request your authority to deliver the report to the Initial Recipients. The Receiver will also be asking at the First Hearing for some restrictions on the Initial Recipients to copy the report or show it to persons other than their clients pending the further consideration of the Court for wider distribution at the Second Hearing.

In that regard, we are anxious to obtain a date for the First Hearing. The earliest date that was suggested to us by the trial coordinator, as we understand, is during the week of October 22nd, and we are wondering if there is an earlier date that might be obtained during the week of October 8th.

We have already booked Your Ladyship for October 25th at 9:00 a.m. but if an earlier date were possible during the week of October 8th, we would welcome it.

We might add that we have not sent a copy of this letter at this time to other counsel but will provide to the Initial Recipients a copy of this letter in the materials to be submitted at the time of the First Hearing.

Yours truly,

HILL DEWAR VINCENT

Per:

Robert A. Dewar
RAD/ck
Enc.

**THE QUEEN'S BENCH
Winnipeg Centre**

BETWEEN:

THE MANITOBA SECURITIES COMMISSION,

Applicant,

- and -

CROCUS INVESTMENT FUND,

Respondent,

**Application under Section 27 of the Securities Act, CCSM c. S50 and Queen's Bench
Rule 14.05(2)(b)**

ORDER

(Regarding Receiver's Report #8, Date of Hearing: October 19, 2005)

**HILL ABRA DEWAR
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2670 - 360 Main Street
Winnipeg, Manitoba
R3C 3Z3**

R.A. Dewar / A. Frank

Telephone: (204) 943-6740

Fax: (204) 943-3934

File No. 05157 RAD

R. Waugh, and R. Hilliard; counsel for James Umlah; counsel for for S. Kreiner, J. Hawkins and J. Lederman; counsel for D. Friesen; counsel for Ron Waugh; the Department of Finance, Province of Manitoba; the Office of the Auditor General; and the Royal Canadian Mounted Police had been served but did not appear, and

On reading the Notice of Motion, Receiver's Report #8, Affidavit of Service of Karen Thomas and the proceedings herein, and on hearing the submissions of counsel for the Receiver,

THIS COURT ORDERS THAT the Receiver be and the same is authorized, along with former Crocus employees retained by the Receiver, to cooperate with the Royal Canadian Mounted Police ("RCMP") investigation related to Crocus Investment Fund, including providing the RCMP with access to the books and records of Crocus and where possible, answering all questions and enquiries of the RCMP to the best of their ability.

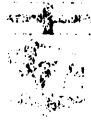
SIGNED 23 October, 2005

W.J. McQuay

COPY

APPENDIX “B”

Appendix "B"



THE HONOURABLE MADAM JUSTICE
DEBORAH J. McCAWLEY

PROVINCE OF MANITOBA
COURT OF QUEEN'S BENCH

THE LAW COURTS
WINNIPEG, MANITOBA, CANADA
R3C 0P9
(204) 945-2050

October 2, 2007

Robert A. Dewar
Hill Abra Dewar
Litigation Counsel
2670 – 360 Main Street
Winnipeg MB R3C 3Z3

Dear Counsel:

**Re: The Manitoba Securities Commission
v. Crocus Investment Fund;
Queen's Bench File No. CI 05-01-43350**

Further to your letter of September 21, 2007 and our subsequent meeting on Friday last, I have had an opportunity to reflect on the question of the distribution of the Receiver's report on its investigation into the business and affairs of Crocus.

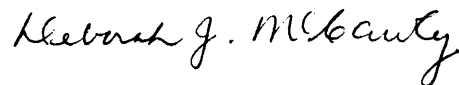
As you are aware, until now all reports by the court appointed Receiver have been filed in court in the usual way and have therefore become a matter of public record. As well, it is my understanding that they have also all been posted by the Receiver on the Crocus website and otherwise made publicly available.

If there is to be any deviation from this practice, it is my view that a motion should be made to the court by the Receiver seeking its advice and direction with appropriate notice to all interested parties. The Receiver will then be able to provide the court with its submission for seeking a limited distribution initially and a broader distribution later and any authorities on which it relies, and those interested will have an opportunity to provide their submissions and authorities and respond.

I am proceeding on the understanding that the report, which I have not seen, is complete and will not be altered depending on the method of distribution ultimately determined. Given the importance of this issue and the likelihood that a number of interested parties will wish to speak to it, I would suggest you arrange a half day for this hearing. Obviously, it would be helpful if those interested parties who share the same view amalgamate their arguments if possible given the difficulty in obtaining dates.

I have spoken to the trial co-ordinator and would ask that you contact her for available times.

Yours truly,



Deborah J. McCawley

DJM~lf

APPENDIX “C”

Appendix "C"

THIS COURT DOTH Order that subject to satisfaction of the conditions hereinafter set forth, the Receiver do forthwith provide to the following persons (the "Initial Recipients") a copy of the Records Review Report:

- (a) Counsel to the parties named in the lawsuit initiated by Bernard Bellan in Queens' Bench File No. CI 05-01-42765, including:
 - (i) Mr. J. R. Boudreau of Booth Dennehy LLP;
 - (ii) Mr. J. Kenneth McEwan, Q.C., of Farris, Vaughan, Wills & Murphy LLP;
 - (iii) Mr. David A. Klein of Klein Lyons;
 - (iv) Mr. E.W. Olson of Thompson Dorfman Sweatman;
 - (v) Mr. Robert Tapper of Tapper Cuddy;
 - (vi) Mr. Willian S. Gange of Gange Goodman & French;
 - (vii) Mr. David I. Marr of Campbell Marr LLP;
 - (viii) Mr. J.A. Fabello of Torys LLP;
 - (ix) Mr. William E. Peppal of Heenan Blaikie;
 - (x) Mr. David M. Wright of Aikins, MacAulay & Thorvaldson LLP; and
 - (xi) Mr. Kenneth Filkow of D'Arcy & Deacon;

- (b) Corporal L. Karpish of the RCMP;

- (c) Mr. Chris Besko of The Security Commission for the Province of Manitoba;
and

- (d) Ms. Mary Margaret Fox, counsel to Chubb Insurance;

IT IS FURTHER ORDERED that the distribution of a copy of the Records Review Report is provided to the Initial Recipients and subsequent access to same to certain others (the "Secondary Recipients") is granted on the following conditions:

- (a) Until such further Order of the Court, the Initial Recipients shall undertake not to make any copies or reproductions of, or in any way distribute, the Records Review Report, and
- (b) Until such further Order of the Court, each Initial Recipient shall undertake not to disclose the contents of nor provide access to the Records Review Report to anyone, except,
 - (i) In the case of Cpl Karpish and Mr. Besko, to persons within the RCMP or Manitoba Securities Commission (as the case may be), but only after receiving from such persons a written undertaking that they will not disclose the contents of the report to anyone until further order of this Court;
 - (ii) in the case of an Initial Recipient who is a lawyer, to his/her client and to persons within his/her legal firm, but only after receiving from such persons a written undertaking that that person will not disclose the contents of this report to anyone until such further order of this Court.

AND IT IS FURTHER ORDERED that the Receiver shall not provide a copy of the Records Review Report to an Initial Recipient unless and until that Initial Recipient has provided to the Receiver an undertaking in the form attached as Schedule "A".

Schedule "A" to the Order of Madam Justice McCawley

UNDERTAKING OF INITIAL RECIPIENT

TO : Deloitte & Touche Inc., as Receiver of Crocus Investment Fund

AND TO : The Court of Queen's Bench for the Province of Manitoba

In consideration of the right to receive a copy of the Records Review Report described in Receiver's Report 9.1 and the Order of Madam Justice D. McCawley signed on October _____, 2007, THE UNDERSIGNED unconditionally and irrevocably undertakes that, until further order of the Court:

- (1) he/she will not make any copies or reproductions of, or in any way distribute the Records Review Report; and
- (2) he/she will not disclose the contents nor provide access to the Records Review Report to anyone, except:
 - (a) (In the case of Cpl Karpish and Mr. Besko), to persons within the RCMP or Manitoba Securities Commission (as the case may be), but only after receiving from such persons a written undertaking in the form attached hereto; and
 - (b) (in the case of an Initial Recipient who is a lawyer), to my client and to persons within my legal firm, but only after receiving from such persons a written undertaking in the form attached hereto.

Dated this ____ day of _____, 2007

UNDERTAKING OF SECONDARY RECIPIENT

TO : Deloitte & Touche Inc., as Receiver of Crocus Investment Fund

AND TO : The Court of Queen's Bench for the Province of Manitoba

In consideration of the opportunity to be advised of the contents of or to read the Records Review Report described in Receiver's Report 9.1 and the Order of Madam Justice D. McCawley signed on October ---, 2007, THE UNDERSIGNED unconditionally and irrevocably undertakes that, until further order of the Court, he/she will not disclose the contents of the said report to anyone.

Dated this ___ day of _____, 2007