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Financial Advisory

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# Crocus Investment Fund

December 31, 2006 Quarterly Report

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# 1.0 Background

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. ("Deloitte" or the "Receiver") as Receiver and Manager of the Crocus Investment Fund ("Crocus" or the "Fund"). The Receiving Order appointed Deloitte as Receiver over all of Crocus' current and future assets, undertakings and properties and granted the Receiver powers to carry out its duties as outlined in the Order.

The purpose of this Report is to report on the activities of the Receiver as well as to provide an update on the financial position of the Fund. The Report will cover the Receiver's operations and activities since the September 30, 2006 Quarterly Report.

## 2.0 Activities of the Receiver

The following summarizes the major activities of the Receiver since September 30, 2006:

- Preparation of the September 30, 2006 and December 31, 2006 Quarterly Reports.
- Meeting and corresponding with various parties interested in acquiring certain of the investee companies.
- Ongoing discussions with Chubb Insurance regarding coverage under the Directors & Officers policy.
- Supervising and directing Crocus staff retained by the Receiver.
- Meeting and corresponding with individual Crocus shareholders.
- Monitoring the status of the action commenced by Bernard W. Bellan under *The Class Proceedings Act* (the "Class Action") as well as the status of the MSC hearings brought against the former members of the Board of Directors of Crocus and various other parties.
- Day to day monitoring of the investee companies and discussions with various stakeholders of the investees about the possible courses of action respecting Crocus' investment in the investees.
- Ongoing discussions and negotiations with certain of the investee companies about possible exit strategies for Crocus.
- Finalization of agreements and closing of various transactions respecting the exit of Crocus and sale of Crocus' interest in certain investee companies.
- Discussions regarding debt agreements with certain of the investee companies.

- Meetings with the Court Appointed Receiver and counsel for COH Holdings Inc. ("COH") as well as meetings and correspondence with counsel for the plaintiffs in the action against Crocus and COH in the Colorado Court. Review of COH transactions and filing a claim on behalf of Crocus in the Colorado Court.
- Meetings with counsel regarding the investment in the Winnipeg Goldeyes Baseball Club Inc. ("Goldeyes") and issuance of a statement of claim for unpaid interest.
- Fulfilling the duties of Crocus as General Partner of the Manitoba Science & Technology Fund.
- Corresponding with pension authorities and plan actuary about the Crocus pension fund.
- Preparation of various tax filings for Crocus and related entities.
- Discussions with the third party manager engaged to manage certain of the Crocus investments on behalf of the Receiver.
- Discussions and finalization of employment and other agreements regarding the Crocus "back-office".
- Negotiating a sub-lease for certain Crocus office space as well as the sale of office furnishings.
- Review of Crocus books and records as outlined in Receiver's Report #9.

## 3.0 Operations

The ongoing activities of Crocus consist of investment monitoring, financial reporting, shareholder services and tax reporting as well as information technology.

The Receiver presently employs five (5) staff members and anticipates a further staff reduction by the end of the next quarter (March 31, 2007).

During the quarter, the Receiver entered into a sublet arrangement for approximately one half of the 5<sup>th</sup> floor of the Crocus premises at 211 Bannatyne Avenue. For the present the Receiver will continue to occupy the balance of the 5<sup>th</sup> floor.

# 4.0 Financial Position

Financial statements for Crocus have been prepared for the 1st fiscal quarter ended December 31, 2006 and are attached as Appendix 1. The statements are internal and unaudited, and have been prepared in a manner consistent with the financial information that was formerly provided to Crocus shareholders with the exception that the portfolio valuation is carried at the June 28, 2005 value, unless the investment has been realized upon. The June 28, 2005 value was derived from the external valuations which were completed after Crocus ceased trading in December 2004.

## 4.1 Financial Highlights

The following are the financial highlights for the first quarter ended December 31, 2006:

- Net loss for the quarter of \$32,000.
- Investments in cash, bonds, GIC's and Bankers Acceptances of approximately \$51.5 million.
- Approximately \$10.6 million in accounts receivable. The majority of the accounts receivable balance represents proceeds due from the sale of three portfolio investments. In accordance with sale agreements, approximately \$4.0 million of this balance will be collected in February 2007 with the remainder thereafter. Pursuant to the sale arrangement with one investee, a portion of the sale price is contingent on the future earnings of the investee. For the present, the Receiver has estimated proceeds of approximately \$1.0 million, however this amount may increase or decrease depending on the future operating results of the investee.
- Net carrying value of the remaining Crocus portfolio of investees of approximately \$25.9 million.



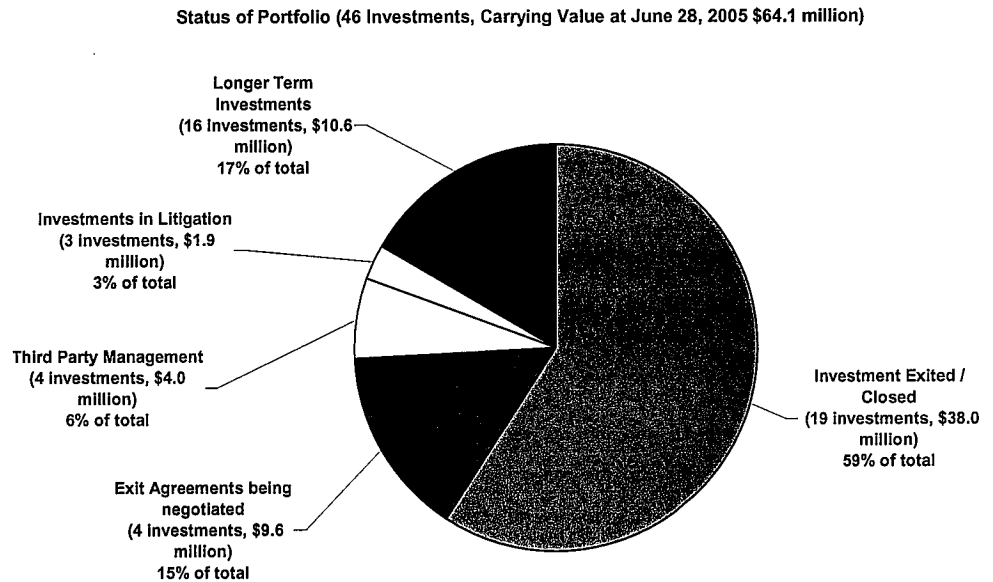
## **4.2 Liquidity**

As is noted above, Crocus has approximately \$51.5 million in cash & equivalents. The Receiver is maintaining a conservative investment policy for these funds which consists of investing in government bonds, Guaranteed Investment Certificates and Bankers Acceptances. Approximately \$0.4 million of the funds is considered sequestered pursuant to an agreement whereby Crocus guaranteed advances made by Assiniboine Credit Union ("ACU") to certain investee companies in the Crocus portfolio.

# 5.0 Portfolio

## 5.1 Status & Valuation

As at June 28, 2005, there were 46 individual investee companies in the Crocus portfolio with a gross carrying value of \$64.1 million. The Receiver has categorized the current status of the portfolio as follows:



As noted in previous reports, one of the overriding issues with the Crocus portfolio is that the majority of agreements entered into between Crocus and the investee companies did not provide for any exit mechanism. Accordingly, the Receiver continues to monitor and discuss exit strategies with many of the remaining investees. The position of the majority of the investees is that they prefer to negotiate an arrangement whereby the investee company and/or the existing non-Crocus shareholder(s) of the investee would buy Crocus' interest from the Receiver.

During the December quarter, the Receiver sold Crocus' positions in Dimensions 100 Inc. (Mondetta) and Mid-Canada Productions Inc.

Cumulatively to December 31, 2006, 19 of the 46 investments within the Crocus portfolio have been realized upon, or are considered closed. There are 28 remaining investments (including Salisbury House) which are discussed below.

In summary, since its appointment, the Receiver has realized proceeds of approximately \$40.8 million for investments with a June 28, 2005 book value of approximately \$38.0 million representing a recovery of approximately 107%. Crocus' carrying value for these investments when it ceased trading in December 2004 was approximately \$54.3 million, which would represent a recovery of approximately 75%.

In addition, since its appointment, the Receiver has also eliminated exposure on approximately \$2.3 million in guarantees that had been reserved.

The Receiver remains of the view that the original estimated timetable of approximately 5 years to deal with the majority of the Crocus portfolio is reasonable. The Receiver also continues to remain of the view that the cost would outweigh the benefit in revaluing the portfolio on an ongoing basis given that the Fund is not trading and, accordingly, for the present, the valuation of all remaining investees within the portfolio has been frozen at their June 28, 2005 values. The values will be adjusted should there be evidence that the carrying value has materially changed.

## **5.2 Exit Agreements being Negotiated**

The Receiver continues discussions with a number of the investee companies regarding possible exits of the Crocus interest. Currently there are four (4) investees with a carrying value of approximately \$9.6 million where varying levels of discussions are taking place.

## **5.3 Third Party Management**

One investee, Manitoba Science and Technology Fund ("MS&T"), is a limited partnership holding several science and technology investments. Crocus is an investor in the fund and is the sole owner of the General Partner. A number of the

investments held by the limited partnership are common to the investments held by Crocus. The limited partners have given the General Partner a mandate to wind-down the partnership.

The Receiver has concluded an agreement with a third party manager with expertise in science and technology types of investments. The agreement provides that the manager, acting as agent, will oversee the ongoing development of these companies and work towards putting appropriate exit strategies in place. The agreement covers certain investments within Crocus as well as MS&T.

#### **5.4 Investments in Litigation**

This category includes three (3) Crocus investments (Ezedia, COH and Goldeyes) with a carrying value of \$1.9 million. Details are as follows:

- A privately appointed receiver of the assets of Ezedia had been appointed prior to the appointment of Deloitte as Receiver of Crocus. Crocus had honoured its obligation under a guarantee to the primary lender of Ezedia and claimed the net proceeds of the sale of assets of Ezedia (approximately \$164,000) pursuant to subrogation language within the guarantee agreement. Deloitte filed a Notice of Application in Court for a declaration that the net proceeds of sale from the assets of Ezedia be paid to the Receiver. The matter was contested and a hearing was held on June 14, 2006. In a judgment delivered on July 7, 2006, Madam Justice McCawley ruled that Deloitte is entitled to the net sale proceeds of Ezedia currently being held in trust. On September 21, 2006 a further hearing was held to clarify the terms of the Order and the amount of costs to be awarded to the Receiver. The Court's decision has just been received and has upheld the positions advanced by the Receiver.
- Deloitte had initiated formal recovery proceedings through the appointment of a Court Appointed Receiver of COH after its board and staff resigned and the company ceased operations. At that time, there was approximately \$1.5 million (US dollars) of funds on hand. The Court Appointed Receiver of

COH has obtained possession of the funds and has established a claims administration process. The Receiver has filed a claim on behalf of Crocus. At the same time, the former CEO of COH has filed a claim against COH and Crocus in the State of Colorado for approximately \$32.0 million (US dollars). Deloitte responded to the claim in the Colorado Court with the position that leave of the Manitoba Court should have been obtained prior to proceeding with a claim against Crocus in Colorado. On February 28, 2006, the Colorado Court ruled that, in the interests of international comity, it would defer ruling on Crocus' motion to dismiss until the Manitoba Court acted on the plaintiff's motion for leave to continue the action against Crocus in Colorado. A hearing in the Court of Queen's Bench was held to deal with the plaintiff's motion. On August 31, 2006, Madam Justice McCawley issued a decision denying the motion. The Receiver has had discussions with the US counsel for the plaintiffs regarding settlement, however to date those discussions have not resulted in any agreement.

- On November 29, 2006 the Receiver issued a statement of claim against Goldeyes for unpaid interest totalling \$306,000. A statement of defence was recently received and will be reviewed by the Receiver and counsel.

## **5.5 Longer Term Investments**

Sixteen (16) investments with a carrying value of \$10.6 million are currently considered longer term investments. In the opinion of the Receiver, transactions with these investees in the short term are unlikely. The Receiver continues to monitor these investees and, where deemed appropriate, has taken Board positions.

## **5.6 New Investment**

As part of its investment in Maple Leaf Distillers Inc. ("Maple Leaf"), Crocus had guaranteed a portion of the indebtedness of Maple Leaf to Astra Credit Union. As a result of the Receiver having honoured that guarantee, Crocus obtained certain rights in shares of Salisbury House of Canada Ltd. ("Salisbury") up to the amount of the funded guarantee (\$1.0 million).

As part of the ongoing restructuring of Salisbury, the remaining shareholders requested the Receiver to proportionately participate in a guarantee arrangement for a portion of the indebtedness owed to the secured lender of Salisbury. The Receiver agreed to participate and a shareholder's agreement is currently being finalized.

# 6.0 Contingent Liabilities

Previous Quarterly Reports outlined a number of contingent liabilities of the Fund. The following is an update on developments regarding known contingent liabilities. The Receiver, however, cannot provide any assurance that all contingent liabilities of the Fund have been identified.

## **6.1 Class Action Proceedings**

The Receiver continues to monitor the Class Action suit that has been brought by the Crocus shareholders against Crocus, Crocus Capital Inc. and 21 other defendants. The Class Action suit seeks \$150 million in damages from the defendants for negligence and oppression as well as punitive and exemplary damages. To date defences have not been filed.

Oral arguments concerning procedural issues relating to the certification process were heard by the case management judge on January 8, 2007. The case management judge has directed that the defendants' motions to strike portions of the Amended Statement of Claim be heard prior to the certification hearing. Oral arguments regarding the defendants' motions to strike will be heard May 22 - 25, 2007. Tentative dates for the certification hearing have been set for September 24 - 28, 2007.

## **6.2 Indemnifications**

Prior to the appointment of the Receiver, there had been an investigation of Crocus by the Office of the Auditor General ("OAG") as well as an investigation into the conduct of Crocus and its directors and officers by the MSC. In total, 17 former officers and directors were named in the investigations and proceedings. The By-Laws of Crocus, as well as certain provisions contained in certain severance agreements, make provision for indemnification of officers and directors. In

addition, Crocus had contractually indemnified its former lead brokers, which are also named as defendants in the Class Action.

In January 2006, Madam Justice McCawley ordered that Crocus, through the Receiver, is responsible for paying the ongoing legal costs of the various directors and officers named in the Class Action as well as those parties named in the regulatory proceedings brought by the MSC. The decision was appealed by the Class Action plaintiff which was heard on November 30, 2006. No decision has been rendered to date. Pending the decision of the Court of Appeal, the Receiver does not intend to pay any of the outstanding legal costs.

Crocus had maintained insurance coverage on behalf of directors and officers (but not on behalf of the lead brokers) to cover claims. The coverage is limited to \$5,000,000 with a \$100,000 deductible, which has been paid by the Receiver. At present, the insurer has denied coverage for those legal costs related to the MSC and OAG investigations. A statement of claim was filed by the Receiver against the insurer asking the Court to declare that the legal costs associated with the MSC and OAG investigations are covered by the policy of insurance.

Crocus had guaranteed the indebtedness of certain advances to its investee companies from various lenders. In the current quarter, the number of investments with guarantee exposure has been reduced to two (2) with the corresponding exposure to Crocus being approximately \$0.4 million. Currently, the loans that Crocus guaranteed are being repaid by the investee. The Receiver does not anticipate being called upon to honour the remaining guarantees and, as such, at this time has not accrued any liability as of December 31, 2006.

### **6.3 Pension Plan**

Crocus was a participant in a defined benefit pension plan for its employees that was administered by the Canadian Labour Congress ("CLC plan"). The Receiver continues to correspond with the actuary for the CLC regarding the status of Crocus' participation within the CLC plan.



#### **6.4 Litigation**

The status of the \$32.0 million claim (US dollars) against Crocus, as well as an investee, COH, brought by the former CEO of COH and his spouse, is detailed in Section 5.5 above.

#### **6.5 Western Economic Diversification**

As previously reported, the Receiver became aware of a potential claim by the Government of Canada - Western Economic Diversification (WED) relating to \$2.0 million in contributions made by WED to Crocus from 1994 to 1996. Portions of the contributions were repayable by Crocus on an annual basis from 1996 to 2008 if certain profitability levels were achieved. The profitability levels were not reached and, as a result, no payments were made. WED has indicated that it believes it has an unsecured creditor claim against Crocus. The claim, if valid, would rank in priority to the shareholders of Crocus. This claim was not known or recorded as at June 28, 2005 and, accordingly, if valid, would result in a decrease to the unit value of Crocus. This matter remains under review.

#### **6.6 Trailer Fees**

Crocus paid referring broker/agents a commission, a portion of which was payable over the hold period of the investment. Based on a share price of \$6.13, the estimated liability for such commissions is approximately \$1.5 million. As the ultimate amount of repayment to shareholders is unknown, no liability for trailer fees has been accrued in the financial statements.

#### **6.7 Other**

In addition to the indemnifications outlined in Section 6.2 above, the Receiver is aware of two (2) additional indemnities provided by Crocus relating to investee companies.

## 7.0 Share Value

The net asset value per share ("share value") as at December 31, 2006 was \$6.13.

As noted in previous reports, the Receiver emphasizes that the share value of \$6.13 is an accounting book value partially based on the June 28, 2005 carrying value of the investment portfolio.

Future events will determine the ultimate realizable value of the portfolio. Those events include determination of amounts that Crocus will have to pay in order to settle known and contingent liabilities, including payment on various indemnities. Such matters may have a material effect on the share value which is ultimately available for distribution to Crocus shareholders. The Receiver continues to believe that the total amount of claims against Crocus may be significant in light of the current investigations and the Class Action against the Fund. The future events identified to date include:

- Possible further increases/reductions in the value of the portfolio as a result of ongoing investee performance.
- The length of time taken to realize on the portfolio.
- The extent of guarantees which Crocus, through the Receiver, may be required to honour.
- Professional costs incurred by the Receiver and its counsel as a result of current and future litigation.
- Costs and damages for which Crocus may become liable and the Receiver may have to pay as a result of indemnities granted by Crocus.
- Costs and damages for which Crocus may become liable as a result of the Class Action.

- Any provision for the costs of the difference between the head lease and subleases for the premises maintained by Crocus.
- The additional liability, if any, for the trailer fees payable to agents/brokers.
- Any potential for liability/surplus under Crocus' employee pension plan.
- Any additional guarantees or indemnities granted by Crocus which have not yet been identified.
- All other costs of monitoring the portfolio and realizing on the assets.

The Receiver will continue to provide updates on the share value in its quarterly reports.

# 8.0 Shareholders

## **8.1 Communications**

The Receiver has continued to post Court Orders, Receiver's Reports, Quarterly Reports, Media Statements and shareholder letters on its website at [www.deloitte.com/ca/crocusfund](http://www.deloitte.com/ca/crocusfund). The website includes the most recent update letter sent to all shareholders dated December 13, 2006, which is attached as Appendix III.

## **8.2 Labour-Sponsored Investment Funds Act, 2006**

*The Labour-Sponsored Investment Funds Act* has now been amended by the Manitoba Legislature. The Receiver is reviewing the amendments to ascertain what, if any, effect the changes may have on the Crocus shareholders and the conduct of the receivership.

## **8.3 Request for Meeting of Shareholders**

The June 30, 2006 Quarterly Report detailed the background and correspondence regarding the request by counsel for the Crocus Investors Association ("CIA") as well as the MFL requesting a list of Crocus shareholders and requesting that the Receiver call a meeting of shareholders to "...consider and, if deemed acceptable, to pass a special resolution approving the sale of all or substantially all of the assets of Crocus to GrowthWorks Canadian Fund Ltd..." The Receiver denied the request and the MFL filed a motion in Court requesting various relief, including the requirement for the Receiver to call a shareholders meeting or, alternatively to provide a list of shareholders. The Motion was heard on September 5, 2006. On November 30, 2006, the Court issued a judgment which dismissed the motion of the MFL in its entirety. The judgment is posted on the Receiver's website.

## 9.0 Records Review

Receiver's Report #9 outlined the Receiver's plans regarding an investigative review ("the Review") of the records of Crocus. In September 2006, the Receiver commenced an investigative review of the records of Crocus, primarily as they relate to investments made by Crocus, many of which proved to be unsuccessful. The intent of the review is for the Receiver to obtain and understand the history of these investments and to assess the possible validity of the allegations made in various reports and hearings as well as in the Class Action litigation. The Receiver believes that the review may accelerate final resolution of these proceedings and minimize the costs of all parties.

The Receiver originally selected nine (9) investments for review. Given certain findings in the course of file reviews for the purpose of negotiating exits, the Receiver expanded the number of investments which will be reviewed. The timing for completion of the Records Review will be dependent on the findings; however the Receiver is hopeful that the review can be completed by the end of March 2007.

# 10.0 Legal

## **10.1 RCMP Investigation**

Pursuant to Receiver's Report #8 and the Order of the Court dated October 19, 2005, the RCMP continues its investigation.

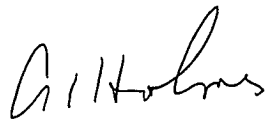
# 11.0 General

A Statement of Receipts and Disbursements from June 28, 2005 to December 31, 2006 is attached as Appendix 2.

The Receiver will continue to keep the Court apprised of ongoing developments with the next quarterly report to be filed in mid April 2007.

Respectfully submitted this 15th day of January, 2007.

**DELOITTE & TOUCHE INC.**, in its capacity as Receiver and Manager of Crocus Investment Fund and not in its personal capacity.



Per: A.R. Holmes  
Senior Vice-President

# Appendices

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# Appendix 1

**Crocus Investment Fund  
 Consolidated Statement of Net Assets  
 As at December 31, 2006 (unaudited)**

**ASSETS**

Investments in Manitoba Businesses  
 Investments in marketable securities  
 Investments in marketable securities - sequestered

Cash

Accounts receivable  
 Capital assets

**LIABILITIES**

Accounts payable and accrued liabilities

**NET ASSETS**

	<b>December 31, 2006</b>
\$	25,939,761
	51,121,560
	400,000
	<u>77,461,321</u>
	92,749
	10,640,080
	631,922
	<u>88,826,072</u>
	1,271,313
\$	<u>87,554,760</u>

**SHAREHOLDERS' EQUITY**

Share capital  
 Deferred selling costs adjustment  
 Deficit

\$	188,014,669
	(9,134,637)
	<u>(91,325,272)</u>
\$	<u>87,554,760</u>

**NET ASSET VALUE PER CLASS "A" COMMON SHARE and  
 SERIES TWO CLASS "I" SPECIAL SHARE**

\$	<u>6.13</u>
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**Crocus Investment Fund**  
**Consolidated Statement of Operations**  
**For the period ended December 31, 2006 (unaudited)**

**REVENUE**

Interest and dividend revenue  
Management fees & other

	<b>1st Quarter</b>
	<b>Ending</b>
	<b>December 31, 2006</b>
\$	719,474
	123,273
	<u>842,747</u>

**EXPENSES**

Amortization of Capital Assets  
Occupancy  
Administrative, Office and Investment  
Legal - Receivership  
Receiver and Manager  
Records Review  
Salaries and Benefits

	30,681
	95,223
	148,914
	111,356
	261,105
	138,533
	91,970
	<u>877,782</u>

**OPERATING LOSS BEFORE NON-RECURRING ITEMS**

Amount realized in excess of June 28, 2005 carrying value

**LOSS FOR THE PERIOD**

	<u>(35,035)</u>
	3,008
\$	<u><u>(32,027)</u></u>

**Crocus Investment Fund**  
**Consolidated Statement of Deficit**  
**For the period ended December 31, 2006 (unaudited)**

**DEFICIT-Beginning of period, September 30, 2006**  
Loss for the period  
**DEFICIT-END OF PERIOD**

<b>December 31, 2006</b>
\$ (91,293,245)
(32,027)
<u>\$ (91,325,272)</u>

**Consolidated Statement of Changes in Net Assets**  
**For the period ended December 31, 2006 (unaudited)**

**NET ASSETS - September 30, 2006**  
Operating activities  
Loss for the period  
**NET ASSETS - END OF PERIOD**

<b>December 31, 2006</b>
\$ 87,586,787
(32,027)
<u>\$ 87,554,760</u>

**Consolidated Statement of Investment Portfolio  
As at December 31, 2006 (unaudited)**

**Investments In Manitoba Businesses**

	<b>Debt Cost</b>	<b>Equity Cost</b>
Investments - Operating	\$ 8,492,818	\$ 29,341,346
Investments - Non Operating	7,065,526	13,483,628
	<u>15,558,344</u>	<u>42,824,974</u>

**INVESTMENTS IN MANITOBA BUSINESSES AT COST**

58,383,318

**NET UNREALIZED DEPRECIATION OF  
INVESTMENTS IN MANITOBA BUSINESSES**

(32,443,557)

**NET INVESTMENTS IN MANITOBA BUSINESSES**

\$ 25,939,761

**Crocus Investment Fund**  
**Consolidated Statement of Investment Portfolio**  
**As at December 31, 2006 (unaudited)**

**BONDS AND DEBENTURES**

Province of Manitoba	200,000	\$	200,000
Manitoba Hydro	611,000		611,000
City of Winnipeg	600,000		599,374
	<u>1,411,000</u>		<u>1,410,374</u>

**SHORT TERM INVESTMENTS**

Assiniboine Credit Union	400,000		400,000
BMO Mortgage Corporation	5,000,000		5,000,000
Canadian Western Bank	7,028,191		7,028,191
HSBC	5,023,842		5,023,842
RBC Dominion Securities	7,051,658		7,051,658
Scotia Bank	9,342,069		9,342,069
TD Waterhouse	16,143,027		16,143,027
	<u>49,988,787</u>		<u>49,988,787</u>
	51,399,787		51,399,161

**NET UNREALIZED APPRECIATION OF INVESTMENTS  
 IN MARKETABLE SECURITIES**

122,399

**INVESTMENTS IN MARKETABLE SECURITIES**

\$ 51,521,560

**Crocus Investment Fund  
Notes to the Consolidated Financial Statements  
For the period ended December 31, 2006 (unaudited)**

**Net Asset Value of Class "A" Common Shares and Series Two Class "I" Special Shares**

The net asset value of the Fund's issued Class "A" Common Shares and Series Two Class "I" Special Shares is calculated as follows:

Net assets - end of year	<b>December 31, 2006</b>
Less: Attributed to Class "L" Special Shares	\$ 87,554,760
	<u>(200)</u>
Balance attributed to the Class "A" Common and Series Two Class "I" Special Shares	\$ 87,554,560
Number of issued Class "A" Common Shares	14,220,000
Number of issued Series Two Class "I" Special Shares	69,126
<b>NET ASSET VALUE PER CLASS "A" COMMON SHARE and SERIES TWO CLASS "I" SPECIAL SHARE</b>	14,289,126
	<u>\$ 6.13</u>

**Crocus Investment Fund  
Consolidated Statement of Investment Portfolio  
Investments in Manitoba Businesses**

**Investments - Operating**

	Debt Cost \$	Equity Cost \$
Biovar Life Support Inc.	-	500,000
Canad Corporation of Canada Inc.	350,000	-
Cando Contracting Ltd.	-	5,000,000
Crocus Hockey Holdings Inc.	46,939	-
Diamedica Inc.	-	1,816,141
D.L.J.S. Enterprises Ltd.	-	5,067,524
Enterprise Swine Systems Ltd	6,771	425,000
Enterprise Swine Systems II Ltd	145,000	-
ESS Holding Company	600,000	-
Genesys Venture Inc.	267,086	-
Manitoba Property Fund	-	600,000
Manitoba Science & Technology Fund	557,512	-
Medicure Inc.	100,000	125,000
Minds Eye Pictures	-	928,462
Muddy Waters Smokehouse	-	2,432,243
Novra Technologies Inc.	679,361	850,000
Online Enterprises Inc.	1,931,459	-
Pasta La Vista	127,102	-
	-	1,249,999
	777,197	-
	-	5,500,003
	129,488	75,671
	172,965	-
	-	-



**Crocus Investment Fund**  
**Consolidated Statement of Investment Portfolio**  
**Investments in Manitoba Businesses**  
**Investments - Operating (cont'd)**

ST Partnership	Limited partnership units	-	744,406
True North Holding Company	Special preference units	-	400,000
Winnipeg Goldeyes Baseball Club Inc.	Common shares	-	576,851
	Debenture	434,149	-
Winnipeg Spaghetti Corp.	Debenture	644,298	-
W.O.W. Hospitality Concepts Inc.	Debenture	1,523,491	-
Other	Each individually less than \$100,000	-	50,046
<b>Total Operating</b>		<b>8,492,818</b>	<b>29,341,346</b>

**Investments - Non Operating**

COH Holdings (US) Inc.	Series "B-1" convertible preferred shares	-	4,839,356
(formerly OpTx Corporation)	Common shares and warrants	-	3,705,334
eZedia Inc.	Common shares and warrants	-	4,938,938
	Debenture	6,442,093	-
	Promissory note	100,000	-
	Guarantee	523,433	-
<b>Total Non Operating</b>		<b>7,065,526</b>	<b>13,483,628</b>

**15,558,344**

**42,824,974**

**INVESTMENTS IN MANITOBA BUSINESSES AT COST**

**58,383,318**

**NET UNREALIZED DEPRECIATION OF  
INVESTMENTS IN MANITOBA BUSINESSES**

**(32,443,557)**

**NET INVESTMENTS IN MANITOBA BUSINESSES**

**25,939,761**

# Appendix 2

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**Deloitte & Touche Inc., Receiver and Manager of  
CROCUS INVESTMENT FUND  
Statement of Receipts & Disbursements  
For the Period June 28, 2005 to December 31, 2006**

**Receipts**

Contract Back Office Services	\$	254,944
Dividends-Portfolio		653,733
Income Tax Refund		99,507
Insurance Premium Refund		6,294
Insurance Claim		14,368
Interest-Portfolio		787,548
Interest-Short Term Investments		1,441,746
Investment Principal Repayments		300,829
Management Fees		470,586
Proceeds on Disposal of Investments		31,676,067
Rent/Sub-Lease		256,927
Sundry		43,178
Pre-Receivership Accounts Receivable		567,150

**Total Receipts**

36,572,877

**Disbursements**

Advances to Investees		235,000
Capital Tax		139,944
Computer, Telephone and Office Expense		280,405
Consulting Fees		94,653
Insurance - Indemnification		100,000
Investee Guarantee and Indemnification		1,344,677
Investment Expenses		160,314
Legal Fees		951,975
Payroll & Benefits		1,231,743
Receiver and Manager Fees		1,934,280
Records Review		138,623
Rent		653,453
Shareholder Services		209,216
Pre-Receivership Payables and Accruals		847,297

**Total Disbursements**

8,321,580

**Excess Receipts over Disbursements**

28,251,297

**Opening Cash & Equivalent**

23,363,012

**Closing Cash & Equivalent**

\$ 51,614,309

Represented by:

Short Term Investments and Bonds	\$	51,214,309
Sequestered Funds		400,000

\$ 51,614,309

# Appendix 3

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December 13, 2006

## To the Shareholders of Crocus Investment Fund

Dear Sir/Madam:

As you are aware, pursuant to an Order of the Manitoba Court of Queen's Bench, Deloitte & Touche Inc. (the "Receiver" or "Deloitte") was appointed Receiver and Manager of Crocus Investment Fund ("Crocus" or the "Fund") effective June 28, 2005. The purpose of this letter is to provide shareholders with a brief update regarding the current status of the Fund. More detailed information, including copies of the Receiver's Reports and Court Orders, can be obtained at the Receiver's website at [www.deloitte.com/ca/crocusfund](http://www.deloitte.com/ca/crocusfund).

### Sale of the Portfolio of Investments

The primary function of the Receiver is to protect, preserve and realize on the assets of the Fund in an orderly way. While numerous complex legal and operational issues have arisen, the Receiver has sold or otherwise wound up the interest of Crocus in 17 of the 46 investments and will continue to negotiate exit strategies for the remainder. As a result, the cash position of the Fund has increased from approximately \$23 million at June 2005 to a current level of approximately \$50 million. The proceeds from the sale of the investments, net of costs, are being held in trust by the Receiver pending further Order of the Court (refer "Status of Shares" section below). The Receiver is maintaining a conservative investment policy for these funds which consists of investing in government bonds, GIC's and Bankers Acceptances.

The Receiver continues to monitor and/or discuss exit mechanisms with the remaining investee companies. In addition, certain of the investees are themselves subject to receivership and/or other litigation proceedings.

### Manitoba Federation of Labour, Crocus Investors Association ("CIA") and GrowthWorks

In the fall of 2005, the Manitoba Federation of Labour ("MFL") advanced a proposal by GrowthWorks Ltd. ("GrowthWorks") as an alternative to the original operating plan for the Crocus receivership that had been outlined by the Receiver. The Court considered both submissions and, in a decision delivered on October 27, 2005, rejected the GrowthWorks proposal and accepted the Receiver's plan. Subsequently, GrowthWorks submitted a conditional offer to purchase the Crocus assets to the Receiver which was not considered acceptable and, accordingly, was rejected. In March 2006, GrowthWorks delivered another letter to Deloitte wherein it proposed to acquire all of the assets of Crocus under the terms of a definitive agreement to be negotiated between the parties. Numerous exchanges took place between GrowthWorks and the Receiver regarding issues arising from this proposal as well as the process which would be followed to complete the transaction. The Receiver provided guidance as to the terms under which it would be interested in pursuing discussions to determine if a definitive agreement was possible. In the Receiver's opinion, after reviewing all of the exchanges, there remained significant uncertainty regarding the GrowthWorks proposal.

In April 2006, the MFL and Crocus Investors Association ("CIA") formally requested a list of Crocus shareholders and requested that the Receiver call a meeting of shareholders to "...consider and, if deemed acceptable, to pass a special resolution approving the sale of all or substantially all of the assets of Crocus to GrowthWorks Canadian Fund Ltd...." The Receiver denied the request on the basis that it did not believe that such a meeting would have been in the best interests of the shareholders and, while it is in a fiduciary relationship with the Crocus stakeholders, it takes its direction from the Manitoba Court of Queen's Bench.

The Receiver also advised the MFL and CIA of its position regarding the GrowthWorks proposal and indicated that submission of the current proposal by GrowthWorks to the shareholders would serve no good purpose in light of the level of uncertainty and incompleteness relating to the discussions with GrowthWorks.

The MFL subsequently filed a motion in Court requesting various relief, which included the requirement for the Receiver to call a shareholders meeting or, alternatively, provide a list of the shareholders to the MFL and/or the CIA. The Motion was heard on September 5, 2006. On November 30, 2006, the Court issued a judgment which dismissed the motion of the MFL in its entirety.

Further details and copies of all correspondence amongst the parties are more fully detailed in the June 30, 2006 Quarterly Report and supplement. These reports as well as the Court judgment are posted on the Deloitte website.

#### **Class Action Proceedings**

In July 2005, a lawsuit was initiated against Crocus Investment Fund and various other parties including former Officers and Directors of Crocus, Crocus's lead broker and auditors, and the Manitoba Securities Commission. Originally, this suit was filed on behalf of a limited number of Class A shareholders. In June 2006, the proposed class of plaintiffs was expanded to include all Class A shareholders. Subsequent to the original filing, a further lawsuit dealing with Crocus was filed against the Province of Manitoba. Neither Crocus nor the Receiver is named as a defendant in this most recent proceeding.

While it is the stated intention of the plaintiff in these actions to have them proceed as class actions, before that can occur, the actions must be certified as class proceedings by the Court, which has not yet occurred.

#### **Indemnification**

In January 2006, the Court ruled that Crocus is responsible for paying the ongoing legal costs of the various Officers and Directors named in the Class Action as well as those parties named in the regulatory proceeding brought by the Manitoba Securities Commission ("MSC"). This ruling has been appealed to the Court of Appeal by the plaintiff in the Class Action and a hearing date for the appeal has been set for November 30, 2006. Pending the decision of the Court of Appeal, the Receiver will hold payment of the outstanding accounts in abeyance. To the extent these legal costs are not covered by insurance, any payment will reduce any distribution which may ultimately be available to Crocus's shareholders.

Crocus had maintained insurance coverage for Officers and Directors to cover claims which may be filed; the coverage is limited to \$5.0 million with a \$100,000 deductible. Presently, the insurer has denied coverage for those legal costs related to the MSC investigation as well as the investigation of the Office of the Auditor General ("OAG"). The Receiver filed a statement of claim against the insurer asking the Court to declare that the legal costs associated with the MSC and OAG proceedings are covered by the policy of insurance.

#### **Status of Shares**

Previously, the Receiver had come to the view that it would like to return a portion of the capital to the shareholders of Crocus. Accordingly, in December 2005, the Receiver issued Receiver's Report #6 which requested that the Court authorize an initial interim distribution to shareholders as well as additional distributions as cash became available. The Court heard the matter and on April 7, 2006 ruled that the Receiver should not make any distribution of funds until such time as the liabilities for which Crocus may be responsible are better determined.

As a result of the ruling, for the present, the Receiver is unable to distribute any funds.

#### **Share Value**

While share redemptions and distributions are currently prohibited, the Receiver continues to calculate and publish an estimate of the net asset value per share (NAVPS) in its quarterly reports. The most recent estimate of the share value as at September 30, 2006 was \$6.13. This value is an accounting book value based on the cash (and equivalents) presently held by the Receiver as well as the June 28, 2005 carrying value for the Crocus investments that have not been realized upon. The Receiver cautions all shareholders that numerous future events will determine the ultimate realizable value of the portfolio. These events include amounts that Crocus may be required to pay to settle known and contingent liabilities, including payment under various indemnities which it had issued. The Receiver believes that the claims against Crocus may be significant in light of the current investigations and Class Action against the Fund.

### Records Review

The Receiver has commenced an investigative review of the records of Crocus, primarily as they relate to investments made by Crocus that proved to be unsuccessful. The intent of the review is for the Receiver to obtain and understand the history of these investments and to assess the possible validity of the allegations made in various reports and hearings as well as in the Class Action litigation. The Receiver believes that the review may accelerate final resolution of these proceedings and minimize the costs of all parties. The review was commenced in September 2006 and the Receiver anticipates that it will be completed in March 2007.

### Shareholder Services

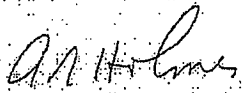
The Receiver has maintained a shareholder services department. Should you have specific questions regarding your Crocus account or have a change of address, please contact shareholder services at (204) 925-7788 or 1-866-893-8710.

### Further Information

Further information and updates will continue to be posted on the Deloitte website at [www.deloitte.com/ca/crocusfund](http://www.deloitte.com/ca/crocusfund). The Receiver will endeavor to keep all shareholders apprised of the progress of the receivership and we would encourage you to check our website for updates on a regular basis.

Yours truly,

**Deloitte & Touche Inc.,**  
in its capacity as Receiver/Manager  
of Crocus Investment Fund and not  
in its personal capacity.

  
Per: A. R. Holmes  
Senior Vice President