



## **Crocus Investment Fund**

June 30, 2021 Quarterly Report

July 15, 2021

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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 of Manitoba (the "Court") made an Order (the "Receiving Order") appointing Deloitte Restructuring Inc. (formerly Deloitte & Touche Inc., hereafter referred to as "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 Receiving Order.

The purpose of this report (the "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 March 31, 2021 Quarterly Report.

The financial information herein has not been audited and therefore the Receiver does not express any opinion on (a) the financial statements as of any date or for any period or (b) any financial data or other information referred to in this Report. The reader is cautioned that this Report may not disclose all matters and details about the ongoing Receivership proceedings. The Receiver assumes no responsibility or liability for any loss or damage occasioned by any party as a result of the circulation, publication, reproduction or use of this Report. Any use which any party makes of this Report, or any reliance or decision to be made based on this Report, is the sole responsibility of such party.

## 2.0 Activities of the Receiver

The following summarizes the major activities of the Receiver since March 31, 2021:

- Preparing the March 31, 2021 and June 30, 2021 Quarterly Reports;
- Administering the interim distributions of funds as outlined in the Court Orders of September 4, 2009, December 12, 2011, and October 14, 2014;
- Corresponding with numerous shareholders, brokers, dealers, and intermediaries regarding the distributions and status of the Fund;
- Supervising and directing agents retained by the Receiver;
- Corresponding with individual Crocus shareholders;
- Corresponding with the bare trustee for the Fund;
- Ongoing monitoring and realization of the remaining investee companies and discussions with various stakeholders of the investees with respect to possible courses of action regarding Crocus' investment in the investees; and
- Fulfilling the duties of Crocus as General Partner of the Manitoba Science & Technology Fund ("MS&T").

## 3.0 Operations

The ongoing activities related to Crocus consist of investment monitoring, financial reporting, shareholder services, and tax reporting. The Receiver no longer employs any former employees of Crocus but has sub-contracted certain information technology and back office services.

## 4.0 Financial position

Financial information for Crocus has been prepared by the Receiver for the third fiscal quarter ended June 30, 2021, and is attached as Appendix 1.

The following are the more significant assets remaining in the Fund:

- Investments in cash and cash equivalents of approximately \$5.7 million. This excludes unclaimed funds of approximately \$2.0 million held in trust for shareholders relating to prior distributions; and
- Net carrying value of the remaining Crocus portfolio of investees of approximately \$0.2 million. As the remaining portfolio of investees (further detailed below) is comprised of private companies whose primary holdings are indirectly held publicly traded shares, the portfolio valuation has been adjusted in the current quarter. The investments are valued at the lower of cost or market value as at June 30, 2021.

## 5.0 Portfolio

### 5.1 Background

As at June 28, 2005, there were 46 individual investee companies in the Crocus portfolio with a gross carrying value of approximately \$64.1 million.

Cumulatively to June 30, 2021, 44 of the 46 investments within the Crocus portfolio have been realized upon or are considered closed.

In summary, since its appointment, the Receiver has realized proceeds of approximately \$65.4 million for investments with a June 28, 2005 book value of approximately \$64.5 million, representing a recovery of approximately 101%. Crocus' carrying value for these investments, when it ceased trading in December 2004, was approximately \$101.0 million, which would represent a recovery of approximately 65%. In addition, since its appointment, the Receiver has eliminated exposure on approximately \$2.3 million in guarantees that had been reserved by Crocus.

### 5.2 Status

The status of the remaining investments is as follows:

#### **Manitoba Science & Technology Fund**

Crocus is an investor in MS&T, a limited partnership, and is the sole owner of the General Partner. The limited partners gave the General Partner a mandate to winddown the partnership. As at the date of this Report, only one (1) investment (held by MS&T) remains to be liquidated prior to distributing the net assets of MS&T to the limited partners.

#### **ST Partnership**

Crocus holds a 77% interest in ST Partnership, and ST Partnership is an investor in MS&T. ST Partnership has no other assets other than its interest in MS&T.

Although the timing of a complete disposition remains uncertain, the Receiver continues efforts to liquidate the final investment held by MS&T.

## 6.0 Share value

The estimated net asset value of the Class A and Class I shares (the "Share Value") as at June 30, 2021 was \$0.41 per share, as detailed in Appendix 1. As noted in previous reports, the Receiver emphasizes that the Share Value is an accounting book value, with residual investments valued at the lower of cost or market value as at June 30, 2021.

Future events will determine the ultimate realizable value of the portfolio. Such matters may have an effect on the Share Value which is ultimately available for distribution to Crocus shareholders. 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 it takes to realize on the portfolio;
- Professional costs incurred by the Receiver and its counsel as a result of current and future negotiations;
- Any additional guarantees or indemnities granted by Crocus which have not yet been identified; and/or
- All other costs of monitoring the portfolio and realizing on the assets.

The Receiver will continue to provide updates on the Share Value in future Quarterly Reports.



## 7.0 Interim distributions

### 7.1 First interim distribution

On September 4, 2009, the Court issued an Order authorizing a rateable interim distribution of approximately \$54.7 million to the Class A and Class I shareholders. Concurrent with the distribution, the Receiver also began distributing the net proceeds of the Class Actions settlements in the amount of approximately \$6.8 million. Class A and Class I shareholders received \$3.83 per share from the approved distribution plus their portion of the Class Actions settlements.

As at June 30, 2021, the Receiver had paid out approximately \$53.7 million, or approximately 98%, of the first interim distribution, and approximately \$6.7 million of the Class Actions settlements. There remains approximately \$1.1 million in unclaimed distributions.

### 7.2 Second interim distribution

On December 12, 2011, the Court issued an Order authorizing a second interim distribution of approximately \$9.0 million to the Class A and Class I shareholders.

Mailings for the distribution took place in January 2012. As at June 30, 2021, the Receiver had paid out approximately \$8.6 million, or 96%, of the second interim distribution, however, there remains approximately \$0.4 million in unclaimed distributions.

### 7.3 Third interim distribution

On October 14, 2014, the Court issued an Order authorizing a third interim distribution of \$0.60 per share to the Class A and Class I shareholders, or approximately \$8.6 million. Concurrent with the distribution, the Receiver also distributed the remaining Class Actions settlements proceeds of approximately \$0.7 million.

Mailings for the distribution took place in October and November 2014. As at June 30, 2021, the Receiver had paid out approximately \$8.1 million, or 94%, of the third interim distribution and approximately \$0.6 million of the remaining Class Actions settlements. There remains approximately \$0.6 million in unclaimed distributions.

### 7.4 Unclaimed interim distributions

On December 9, 2016, the Receiver sent correspondence to all shareholders with any unclaimed funds from one (1) or more of the three (3) interim distributions. The correspondence was customized for each shareholder depending on the nature of the account held and the funds that remained unclaimed. The Receiver requested that shareholders follow the detailed instructions in the correspondence to claim their distribution entitlements at their earliest opportunity, and by no later than February 28, 2017. Shareholders were further advised that any funds remaining unclaimed subsequent to February 28, 2017 may be paid to the Minister of Finance, following which shareholders will be obligated to prove their entitlement to the funds.

In total 6,690 letters were sent to shareholders with unclaimed funds. Responses were received from approximately 41% (2,748) of these shareholders resulting in approximately \$1.3 million in funds being distributed.

## **7.5 Future distributions**

The majority of the Crocus assets have been realized upon with net proceeds of approximately \$72.3 million being approved by the Court for distribution to the Crocus shareholders. In addition, shareholders have been paid their portions of the Class Actions settlements and the Class Actions have been finalized.

As noted above, the Receiver currently has approximately \$5.7 million of cash and cash equivalents available to fund shareholder services operations and to continue to realize on the remaining two (2) investments. Given the status of negotiations with the remaining investees, the Receiver is optimistic that a final distribution application will be made prior to the end of calendar 2021.

## 8.0 Shareholder communication

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).

## 9.0 General

A Statement of Receipts and Disbursements for the period from June 28, 2005 to June 30, 2021 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-October 2021.

Respectfully submitted this 15<sup>th</sup> day of July, 2021.

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



Per: Brent Warga, CPA, CA, CIRP, LIT  
Senior Vice-President

Appendix 1 –  
Crocus financial information as  
at June 30, 2021

**Crocus Investment Fund**  
**Consolidated Statement of Net Assets**  
**As at June 30, 2021 (unaudited)**

**ASSETS**

	<b>June 30, 2021</b>
Cash and equivalents	\$ 5,672,113
Cash in Trust - Unclaimed Interim Distributions	1,994,371
Investments in Manitoba businesses	<u>236,729</u>
	7,903,213

Accounts receivable	14,133
Capital assets	<u>-</u>
	7,917,346

**LIABILITIES**

Accounts payable and accrued liabilities	8,154
Due to Shareholders - Interim Distributions	<u>1,994,371</u>

**NET ASSETS**

	<u><u>\$ 5,914,821</u></u>
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**SHAREHOLDERS' EQUITY**

Share capital	\$ 188,014,669
Deferred selling costs adjustment	(9,134,637)
Interim Distributions - Class "A" shares	(71,951,299)
Interim Distributions - Class "I" shares	(349,770)
Interim Distributions - Class "L" shares	(200)
Deficit	<u>(100,663,942)</u>
	<u><u>\$ 5,914,821</u></u>

**NET ASSET VALUE PER SHARE**

Net assets	\$ 5,914,821
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Balance attributed to the Class "A" Common and Series Two Class "I" Special Shares	<u>\$ 5,914,821</u>
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Number of issued Class "A" Common Shares	14,220,000
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Number of issued Series Two Class "I" Special Shares	<u>69,126</u>
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14,289,126

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

	<u><u>\$ 0.41</u></u>
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**Crocus Investment Fund**  
**Consolidated Statement of Investment Portfolio**  
**As at June 30, 2021 (unaudited)**

**INVESTMENTS IN MANITOBA BUSINESSES**

Manitoba Science & Technology Fund

ST Partnership

**INVESTMENTS IN MANITOBA BUSINESSES**

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\$	236,729
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Appendix 2 –  
Statement of receipts and  
disbursements to June 30, 2021



**Deloitte Restructuring Inc., Receiver and Manager of  
CROCUS INVESTMENT FUND  
Statement of Receipts and Disbursements  
For the Period June 28, 2005 to June 30, 2021**

	<b>June 28, 2005 to March 31, 2016</b>	<b>April 1, 2016 to June 30, 2021</b>	<b>Total</b>
<b>Receipts</b>			
Cash and Short Term Investments on Hand	\$ 23,363,012	\$ -	\$ 23,363,012
Contract Back Office Services	518,463	-	518,463
Dividends-Portfolio	657,483	160,000	817,483
Income Tax Refund	520,196	25,037	545,233
Insurance Claim and Premium Refund	20,662	-	20,662
Interest-Portfolio	1,929,765	186,171	2,115,936
Interest-Short Term Investments	7,727,235	227,007	7,954,242
Investment Principal Repayments	3,182,022	536,970	3,718,992
Management Fees	1,295,043	198,029	1,493,072
Proceeds on Disposal of Investments	57,140,767	4,529,863	61,670,630
Rent/Sub-Lease	2,671,548	-	2,671,548
Sundry	301,676	-	301,676
Pre-Receivership Accounts Receivable	1,247,463	-	1,247,463
Class Action Settlements	7,494,924	-	7,494,924
<b>Total Receipts</b>	<b>\$ 108,070,259</b>	<b>\$ 5,863,077</b>	<b>\$ 113,933,336</b>
<b>Disbursements</b>			
Advances to Investees	\$ 265,132	\$ -	\$ 265,132
Capital Tax	200,257	-	200,257
Computer, Telephone and Office Expense	856,301	28,996	885,297
Consulting Fees	359,150	-	359,150
Employee Pension	442,922	-	442,922
Insurance - Indemnification	167,563	-	167,563
Investee Guarantee and Indemnification	1,344,677	-	1,344,677
Investment Expenses	223,133	9,753	232,886
Legal Fees	2,292,238	124,299	2,416,537
Disbursements	64,678	2,980	67,658
Taxes	294,107	15,963	310,070
Legal Fees - Indemnification	728,405	-	728,405
Disbursements	12,985	-	12,985
Taxes	59,311	-	59,311
Payroll & Benefits	1,735,550	-	1,735,550
Receiver and Manager Fees	8,804,347	674,894	9,479,241
Taxes	491,554	34,143	525,697
Rent	4,317,703	-	4,317,703
Settlements	775,991	-	775,991
Shareholder Services	2,164,467	1,059,137	3,223,604
Pre-Receivership Payables and Accruals	914,385	-	914,385
<b>Total Disbursements</b>	<b>26,514,856</b>	<b>1,950,165</b>	<b>28,465,021</b>
<b>Excess of Receipts over Disbursements prior to:</b>	<b>81,555,403</b>	<b>3,912,912</b>	<b>85,468,315</b>
Interim Distributions - Class "A" Shares	68,782,103	1,338,189	70,120,292
Interim Distributions - Class "I" & "L" Shares	349,970	-	349,970
Class Action Settlements	7,222,807	108,762	7,331,569
<b>Excess of Receipts over Disbursements</b>	<b>\$ 5,200,523</b>	<b>\$ 2,465,961</b>	<b>\$ 7,666,484</b>
Represented by:			
Short Term Investments and Bonds			\$ 5,672,113
Cash in Trust - Interim Distributions			1,994,371
			<b>\$ 7,666,484</b>



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