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Financial Advisory

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# Crocus Investment Fund

September 30, 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 June 30, 2006 Quarterly Report.

## 2.0 Activities of the Receiver

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

- Preparation of the June 30, 2006 and September 30, 2006 Quarterly Reports as well as the supplement to the June 30, 2006 Quarterly Report.
- Finalization and distribution of Receiver's Report #9 dated July 14, 2006.
- 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.
- Meeting with counsel for the Class Action plaintiff.
- 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.

- Re-negotiation of debt agreements with certain of the investee companies.
- Meetings with counsel regarding the COH Holdings Inc. ("COH"), Ezedia Inc. ("Ezedia") and Cando Contracting Ltd. ("Cando") litigation matters.  
Preparation for Court hearings regarding the COH and Ezedia matters.
- Fulfilling the duties of Crocus as General Partner of the Manitoba Science & Technology Fund.
- Ongoing discussions with various pension authorities and plan administrators about Crocus pension funds.
- Corresponding with GrowthWorks Canadian Fund Ltd. ("GrowthWorks") and its counsel regarding its proposals to acquire the interest held by Crocus in the various investee companies.
- Corresponding with counsel for the Manitoba Federation of Labour ("MFL") and the Crocus Investors Association ("CIA") regarding their request for a shareholders meeting.
- Preparation with counsel and attendance at September 5, 2006 hearing regarding MFL motion.
- Review of Notices of Assessment for 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 drafting of agreements regarding the Crocus "back-office".
- Ongoing discussions and meetings about a possible sub-lease of certain Crocus office space.

## 3.0 Operations

The ongoing activities of Crocus consist of investment monitoring, financial reporting, shareholder services and tax reporting as well as information technology. During the quarter, one staff member left the employ of Deloitte which reduced the number of remaining staff to five (5). The Receiver does not intend to replace the staff member but will redistribute the duties amongst the remaining employees and Deloitte professional staff.

The Receiver continues to focus on reducing operational costs and is currently in discussions with a party interested in subleasing one half of the 5<sup>th</sup> floor at 211 Bannatyne as well as purchasing an assignment of the naming rights for the building which were granted to Crocus under its head lease. Concurrently with any sublease, the Receiver will also be selling excess furnishings and artwork.

## 4.0 Financial Position

A financial statement for Crocus has been prepared for the 4th fiscal quarter and year ended September 30, 2006 and is attached as Appendix 1. The statement is internal and unaudited, and has 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 quarter and fiscal year ended September 30, 2006:

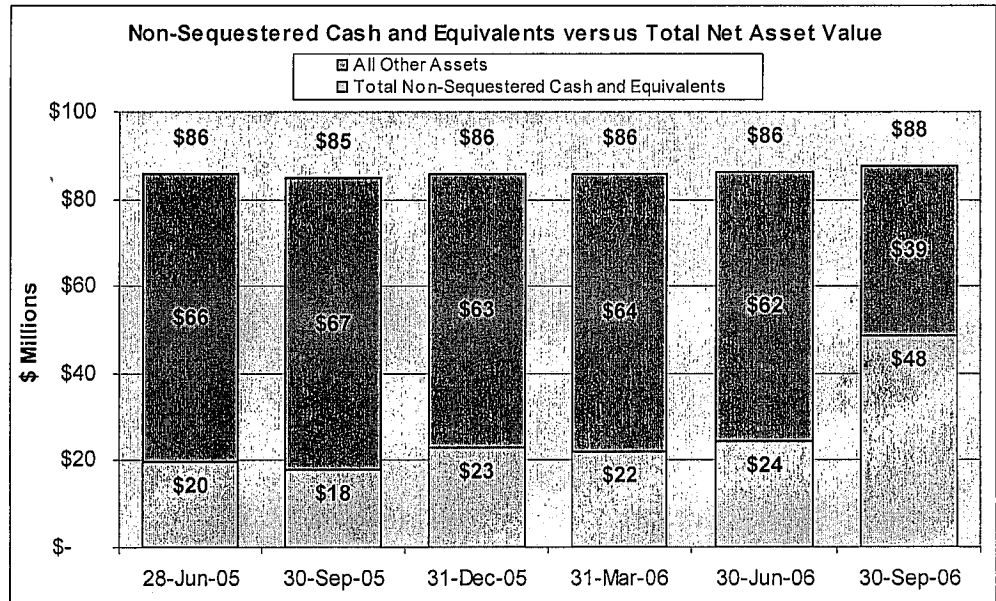
- Net income for the quarter totalled \$1.4 million. Year to date income totalled approximately \$2.9 million.
- Investments in cash, bonds, GIC's and Bankers Acceptances of approximately \$48.5 million.
- Approximately \$9.9 million in accounts receivable representing an increase of approximately \$8.2 million from the balance as at June 30, 2005. The increase is attributable to the sale of two investments where the purchase price is payable over a specified time period.
- Net carrying value of the remaining Crocus portfolio of investees was approximately \$29.7 million.

### 4.2 Liquidity

As is noted above, Crocus has approximately \$48.5 million in cash & equivalents. Approximately \$0.4 million of this amount 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. The cash & equivalents held by Crocus have increased significantly in the last quarter as a result of several major sales of investee companies. A comparison of the value of the non-sequestered cash and equivalents versus the total net asset value is illustrated in the following graph:



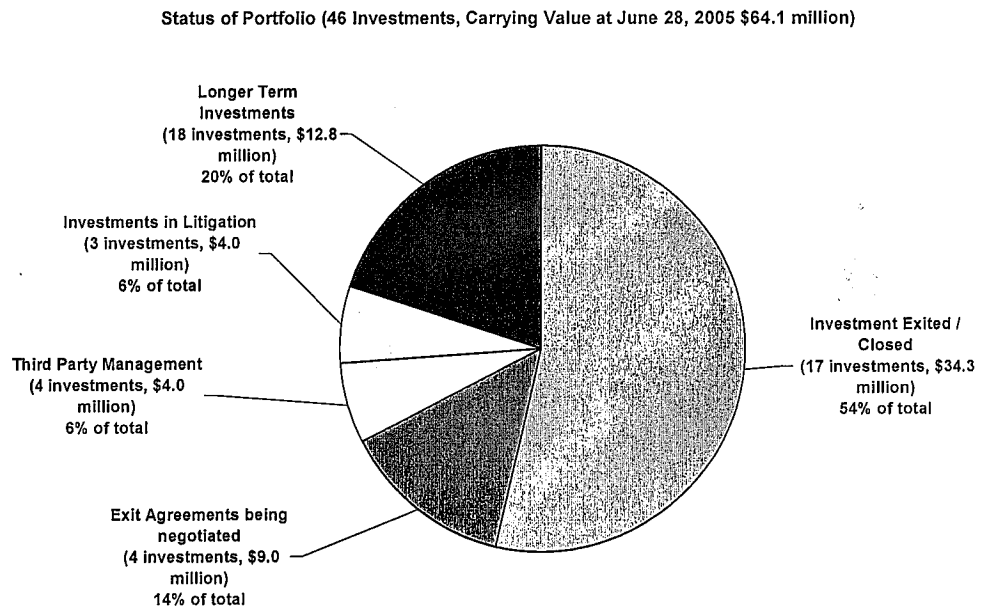
The graph illustrates that since the date of the receivership the portion of non-sequestered cash and equivalents making up the total net asset value of the Fund has risen from approximately \$20 million or 23% of total net asset value in June 2005 to \$48 million or 55% of total net asset value in September 2006. Barring any significant payout on account of indemnities, litigation or professional costs, the Receiver anticipates further increases in the liquidity of the Fund as the portfolio continues to be wound down.

The Receiver will continue a conservative investment policy for the cash and equivalents consisting of government bonds, GIC's and Bankers Acceptances.

# 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 the Receiver has previously reported, 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.

The Receiver previously reported that it anticipated that approximately 70% of the portfolio would be either exited or subject to exit strategies by the fall of 2006. While the Receiver cannot guarantee that definitive agreements will be reached with the four (4) investees with which it is currently negotiating exits, the exited investees plus the exit agreements in negotiation total approximately 68% of the portfolio. Overall, 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. In that regard, the value of one investee was written down by approximately \$0.8 million during quarter ended September 30, 2006.

## **5.2 Investments Exited / Closed**

During the September quarter, the Receiver sold Crocus' positions in National Equipment Leasing Inc., Wellington West Capital Inc. and Carte International Inc.

Cumulatively to September 30, 2006, 17 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 \$37.1 million for investments with a June 28, 2005 book value of approximately \$34.3 million representing a recovery of approximately 108%. Crocus' carrying value for these investments when it ceased trading in December 2004 was approximately \$49.8 million, which would represent a recovery of approximately 74%.

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

### **5.3 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 \$9.0 million where varying levels of discussions are taking place.

### **5.4 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 which has 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.

### **5.5 Investments in Litigation**

This category includes Crocus' investment in Ezedia, COH, and Cando details of which 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 is pending. The Receiver's counsel has verbally been advised by counsel for the primary lender that they intend to appeal once the Order has been finalized.

- 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 is currently in the process of establishing a claims administration process. Objections against the Court Appointed Receiver's intended course of action have been filed by counsel for a potential claimant. 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 was subsequently contacted by the US counsel for the plaintiffs and a meeting was recently held in Colorado to discuss possible settlement of the actions.
- In September 2006 Cando filed a motion that the Court of Queen's Bench grant leave to Cando and another shareholder to commence an action against Crocus and the Receiver. Counsel for the Receiver has responded to

counsel for Cando outlining the Receiver's position on the motion as well as other issues raised. A date for the hearing has yet to be set.

### **5.6 Longer Term Investments**

Eighteen (18) investments with a carrying value of \$12.8 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.

### **5.7 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). On May 25, 2006, Salisbury filed a Notice of Intention to Make a Proposal to its creditors pursuant to the *Bankruptcy and Insolvency Act*. The proposal was accepted by the creditors of Salisbury in September 2006.

As part of the proposed restructuring, the remaining shareholders of Salisbury 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 the 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 of 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 that was brought against Crocus, Crocus Capital Inc. and 21 other defendants on July 12, 2005 and which seeks damages of \$150 million for oppression and negligence as well as punitive and exemplary damages of \$50 million.

To date, no Defences have been filed and the Class Action has yet to be certified.

### 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 some 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 proceeding brought by the MSC. The decision has been appealed by the Class Action plaintiff, however, no date has been set for the hearing. 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 September 30, 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 has been 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 the March 31, 2006 Quarterly Report, the Receiver noted that an indemnity had been identified that had not been recorded or otherwise reflected in the books of Crocus. The investment on which this indemnity arose has been exited and the indemnity was extinguished as part of the definitive agreement. In addition to the above, the Receiver is aware of two (2) additional outstanding indemnities.

## 7.0 Share Value

The net asset value per share ("share value") as at September 30, 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 Receiver will be providing the shareholders with an update through a mailing planned for early November.

## **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, provide a list of shareholders. The Motion was heard on September 5, 2006 with the decision being reserved. To date a decision has not been rendered.

## 9.0 Records Review

Receiver's Report #9 outlined the Receiver's plans regarding an investigative review ("the Review") of the records of Crocus. The report was circulated by the Receiver's counsel to interested parties and was posted on the Receiver's website. Counsel for certain of the officers and directors responded indicating that they would like to meet with the Receiver to clarify their clients' positions.

The review commenced in September 2006. The Receiver estimates that the Review will take approximately 4 to 6 months.

# 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.

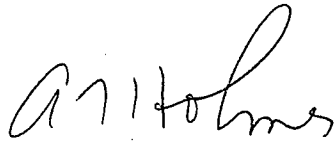
# 11.0 General

A Statement of Receipts and Disbursements from June 28, 2005 to September 30, 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 January 2007.

Respectfully submitted this 15th day of October, 2006.

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

A handwritten signature in cursive script that reads "A.R. Holmes".

Per: A.R. Holmes  
Senior Vice-President

# Appendices



# Appendix 1

**Crocus Investment Fund**  
**Consolidated Statements of Net Assets**  
**As at September 30, 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>September 30, 2006</b>
\$	29,742,147
	48,008,334
	400,000
	<u>78,150,481</u>
	73,390
	9,942,645
	659,237
	<u>88,825,753</u>
	1,238,966
\$	<u>87,586,787</u>

**SHAREHOLDERS' EQUITY**

Share capital  
Deferred selling costs adjustment  
Deficit

\$	188,014,669
	(9,134,637)
	(91,293,245)
\$	<u>87,586,787</u>
\$	<u>6.13</u>

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

**Crocus Investment Fund  
Consolidated Statements of Operations  
For the period ended September 30, 2006 (unaudited)**

	<b>Quarter Ending</b>	<b>Year to Date</b>
	<b>September 30, 2006</b>	<b>September 30, 2006</b>
<b>REVENUE</b>		
Interest and dividend revenue	\$ 335,190	\$ 1,941,702
Management fees	283,450	694,082
	<u>618,640</u>	<u>2,635,784</u>
<b>OPERATING EXPENSES</b>		
Amortization of Capital Assets	37,791	149,677
Indemnification Insurance	-	100,000
Investee Indemnification	344,677	344,677
Occupancy	95,223	378,582
Administrative, Office and Investment	122,704	690,203
Legal - Receivership	153,678	711,366
Legal - Indemnification	60,000	406,788
Receiver and Manager	261,330	1,264,711
Salaries and Benefits	218,798	703,602
	<u>1,294,201</u>	<u>4,749,606</u>
<b>OPERATING LOSS BEFORE NON-RECURRING ITEMS</b>	<u>(675,561)</u>	<u>(2,113,822)</u>
Amount realized in excess of June 28, 2005 carrying value	2,073,511	4,989,668
<b>INCOME FOR THE PERIOD</b>	<u>\$ 1,397,950</u>	<u>\$ 2,875,845</u>

**Crocus Investment Fund**  
**Consolidated Statements of Deficit**  
**For the period ended September 30, 2006 (unaudited)**

**DEFICIT-Beginning of period, September 30, 2005**  
Income for the period  
**DEFICIT-END OF PERIOD**

	<b>September 30, 2006</b>
\$	(94,169,090)
	2,875,845
\$	<u><u>(91,293,245)</u></u>

**Consolidated Statements of Changes in Net Assets**  
**For the period ended September 30, 2006 (unaudited)**

**NET ASSETS - September 30, 2005**  
Operating activities  
Income for the period  
**NET ASSETS - END OF PERIOD**

	<b>September 30, 2006</b>
\$	84,710,942
	2,875,845
\$	<u><u>87,586,787</u></u>

**Crocus Investment Fund  
 Consolidated Statements of Investment Portfolio  
 As at September 30, 2006 (unaudited)**

**Investments In Manitoba Businesses**

	<b>Debt Cost</b>	<b>Equity Cost</b>
Investments - Operating	\$ 8,548,213	\$ 30,431,347
Investments - Non Operating	7,065,526	13,483,628
	<u>15,613,739</u>	<u>43,914,975</u>

**INVESTMENTS IN MANITOBA BUSINESSES AT COST**

59,528,714

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

(29,786,566)

**NET INVESTMENTS IN MANITOBA BUSINESSES**

\$ 29,742,147

**Crocus Investment Fund**  
**Consolidated Statements of Investment Portfolio**  
**As at September 30, 2006 (unaudited)**

**BONDS AND DEBENTURES**

	Par Value	Amortized Cost
Province of Manitoba	200,000	\$ 200,000
Manitoba Hydro	611,000	611,000
City of Winnipeg	600,000	599,326
	<u>1,411,000</u>	<u>1,410,326</u>

**SHORT TERM INVESTMENTS**

Assiniboine Credit Union	400,000	400,000
Canadian Western Bank	5,003,323	5,003,323
HSBC	5,000,392	5,000,392
RBC Dominion Securities	14,103,316	14,103,316
Scotia Bank	6,368,529	6,368,529
TD WaterHouse	16,000,000	16,000,000
	<u>46,875,560</u>	<u>46,875,560</u>
	<u>48,286,560</u>	<u>48,285,886</u>

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

122,447

**INVESTMENTS IN MARKETABLE SECURITIES**

\$ 48,408,334

**Crocus Investment Fund**  
**Notes to the Consolidated Financial Statements**  
**For the period ended September 30, 2006 (unaudited)**

**“GAAP” 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>September 30, 2006</b>
Less: Attributed to Class “L” Special Shares	\$ 87,586,787
	<u>(200)</u>
Balance attributed to the Class “A” Common and Series Two Class “I” Special Shares	\$ 87,586,587
Number of issued Class “A” Common Shares	14,220,000
Number of issued Series Two Class “I” Special Shares	<u>69,126</u>
Total Issued Shares	14,289,126
<b>“GAAP” NET ASSET VALUE PER CLASS “A” COMMON SHARE and</b>	
<b>SERIES TWO CLASS “I” SPECIAL SHARE</b>	<u>\$ 6.13</u>

**Crocus Investment Fund  
Consolidated Statements 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	-	425,000
Enterprise Swine Systems II Ltd	12,646	-
ESS Holding Company	145,000	-
Genesys Venture Inc.	600,000	-
Manitoba Property Fund	267,086	-
Manitoba Science & Technology Fund	-	600,000
Medicure Inc.	557,512	-
Mid Canada Production Services Inc.	-	125,000
Minds Eye Pictures	100,000	-
Mondetta (Dimensions 100 Inc)	-	928,462
Muddy Waters Smokehouse	-	2,432,243
Novra Technologies Inc.	-	850,000
Online Enterprises Inc.	-	290,000
Pasta La Vista	679,361	3,000,000
	1,931,459	-
	-	800,001
	130,156	-
	-	1,249,999
	777,197	-
	-	5,500,003
	132,590	75,671
	172,965	-
	-	-



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

**Investments - Operating (cont'd)**

	Debt Cost \$	Equity Cost \$
ST Partnership	-	744,406
True North Holding Company	-	400,000
Winnipeg Goldeyes Baseball Club Inc.	-	576,851
	434,149	-
Winnipeg Spaghetti Corp.	644,298	-
W.O.W. Hospitality Concepts Inc.	1,566,855	-
Other	-	50,046
<b>Total Operating</b>	<b>8,548,213</b>	<b>30,431,347</b>

**Investments - Non Operating**

COH Holdings (US) Inc. (formerly OpTx Corporation)	-	4,839,356
eZedia Inc.	-	3,705,334
	-	4,938,938
	6,442,093	-
	100,000	-
	523,433	-
<b>Total Non Operating</b>	<b>7,065,526</b>	<b>13,483,628</b>

**15,613,739**

**43,914,975**

**INVESTMENTS IN MANITOBA BUSINESSES AT COST**

**59,528,714**

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

**(29,786,566)**

**NET INVESTMENTS IN MANITOBA BUSINESSES**

**29,742,147**

# Appendix 2

**Deloitte & Touche Inc., Receiver and Manager of  
CROCUS INVESTMENT FUND  
Statement of Receipts & Disbursements  
For the Period June 28, 2005 to September 30, 2006**

**Receipts**

Contract Back Office Services	\$	206,427
Dividends-Portfolio		653,108
Income Tax Refund		99,507
Insurance Premium Refund		6,294
Insurance Claim		14,368
Interest-Portfolio		450,468
Interest-Short Term Investments		707,297
Investment Principal Repayments		247,109
Management Fees		425,780
Proceeds on Disposal of Investments		28,962,237
Rent/Sub-Lease		199,007
Sundry		34,404
Pre-Receivership Accounts Receivable		566,970

**Total Receipts**

32,572,975

**Disbursements**

Advances to Investees		235,000
Capital Tax		95,227
Computer, Telephone, and Office Expense		236,818
Consulting Fees		50,800
Insurance - Indemnification		100,000
Investee Guarantee and Indemnification		1,344,677
Investment Expenses		147,804
Legal Fees		862,336
Payroll & Benefits		1,146,616
Receiver and Manager Fees		1,673,265
Rent		548,025
Shareholder Services		166,399
Pre-Receivership Payables and Accruals		847,297

**Total Disbursements**

7,454,264

**Excess Receipts over Disbursements**

\$ 25,118,711

**Opening Cash & Equivalents**

\$ 23,363,012

**Closing Cash & Equivalents**

\$ 48,481,724

Represented by:

Short Term Investments and Bonds	\$	48,081,724
Sequestered Funds		400,000

\$ 48,481,724