

Crocus Investment Fund

March 31, 2011 Quarterly report

Table of contents

1.0	Background	1
2.0	Activities of the Receiver	2
3.0	Operations	3
4.0	Financial position	4
5.0	Portfolio	5
5.1	Background	5
5.2	Status	5
6.0	Commitments and contingencies	7
7.0	Share value	8
8.0	Class Action.....	9
9.0	Interim distribution	10
10.0	Shareholder communication	11
11.0	General.....	12

Appendices

Appendix 1 – Crocus financial information as at March 31, 2011

Appendix 2 – Statement of receipts and disbursements to March 31, 2011

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 December 31, 2010 Quarterly Report.

2.0 Activities of the Receiver

The following summarizes the major activities of the Receiver since December 31, 2010:

- Preparation of the December 31, 2010 and March 31, 2011 Quarterly Reports.
- Administering the interim distribution of funds as outlined in the Court Order of September 4, 2009.
- Corresponding with numerous shareholders, brokers, dealers and intermediaries regarding the distribution.
- Monitoring the status of the Manitoba Securities Commission (“MSC”) hearings brought against the former members of the Board of Directors of Crocus and various other parties.
- Meeting and corresponding with various parties interested in acquiring certain of the investee companies.
- Supervising and directing agents retained by the Receiver.
- Meeting and corresponding with individual Crocus shareholders.
- Regular monitoring of the investee companies and discussions with various stakeholders of the investees with respect to possible courses of action regarding Crocus’ investment in the investees.
- Ongoing discussions and negotiations with certain of the investee companies about possible exit strategies for Crocus.
- Meetings and discussions regarding debt agreements with certain of the investee companies.
- Fulfilling the duties of Crocus as General Partner of the Manitoba Science & Technology Fund (“MS&T”).
- Discussions and correspondence with Crocus’ landlord and sub-tenants regarding ongoing tenancy and sub-tenancy issues.
- Preparation of various tax returns.
- Planning and system testing in anticipation of a second interim distribution.

3.0 Operations

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

The Receiver continues to occupy a portion of the Crocus premises at 211 Bannatyne Avenue. The balance of the space which Crocus leased has been sublet.

4.0 Financial position

Financial information for Crocus has been prepared for the first fiscal quarter ended March 31, 2011 and is attached as Appendix 1.

The following summarizes the financial position of the Fund:

- Investments in cash and equivalents (Guaranteed Investment Certificates and Government Bonds) of approximately \$14.6 million.
- Accounts receivable of approximately \$3.9 million. The majority of the balance consists of the balance due from the sale of one (1) portfolio investment. In addition the balance includes accrued interest on marketable securities and portfolio investments.
- Net carrying value of the remaining Crocus portfolio of investees of approximately \$11.4. 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.

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 \$64.1 million.

Cumulatively to March 31, 2011, 35 of the 46 investments within the Crocus portfolio have been realized upon or are considered closed. There are 11 investments remaining.

In summary, since its appointment the Receiver has realized proceeds of approximately \$55.7 million for investments with a June 28, 2005 book value of approximately \$52.8 million representing a recovery of approximately 105%. Crocus' carrying value for these investments when it ceased trading in December 2004 was approximately \$88.3 million, which would represent a recovery of approximately 63%. In addition, since its appointment the Receiver has also eliminated exposure on approximately \$2.3 million in guarantees that had been reserved.

5.2 Status

The status of the remaining investments is as follows:

1. Four (4) investments (D.L.J.S. Enterprises Ltd, Muddy Waters Smokehouse, W.O.W. Hospitality Concepts Inc., Novra Technologies Inc.) held by the Fund represent primarily debt obligations due to Crocus. The Receiver and the Investee(s) have entered into long term agreements for the Investee to repay the indebtedness. The agreements contemplate various maturities between 2012 and 2018.
2. On November 29, 2006, the Receiver issued a statement of claim against the Winnipeg Goldeyes Baseball Club Inc. for unpaid interest which at the time totalled approximately \$306,000. A summary judgment motion was heard on May 14, 2008 and December 24, 2008, the Court issued a judgment dismissing the summary judgment motion. In essence, the Court has concluded that the matter was not clear enough to deal with the matter summarily and that a trial was required. The Receiver has had numerous discussions around settlement of the outstanding interest as well as the principal debt and shares owned by Crocus but to date no agreement has been reached.

3. Crocus is an investor in Manitoba Science & Technology Fund ("MS&T") which is a limited partnership holding several science and technology investments. Crocus is the sole owner of the General Partner and the limited partners gave the General Partner a mandate to wind down the partnership. Crocus and MS&T's holdings include Diamedica Inc., Genesys Ventures Inc. and ST Partnership. There are numerous interrelationships amongst these entities. In some cases, the ability to negotiate exits from MS&T's science and technology investments is limited given that certain of the companies are publicly traded with limited market liquidity. As a result, the timing of a complete disposition is unknown.
4. No exit agreement has been agreed upon with Canad Corporation Ltd. or Online Enterprises Inc.

6.0 Commitments and contingencies

Receiver's Report #12 outlined the remaining obligations of Crocus. The primary obligation was for the lease of real property at 211 Bannatyne which terminates on September 30, 2016.

There remains one contingency which is known to the Receiver for an indemnity provided by Crocus to an investee company.

7.0 Share value

The net asset value per Class A and Class I shares ("share value") as at March 31, 2011 was \$2.11. As noted in previous Reports, the Receiver emphasizes that the share value 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. Such matters may have a material 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 taken to realize on the portfolio.
- Professional costs incurred by the Receiver and its counsel as a result of current and future negotiations and litigation.
- Any provision for the costs of the difference between the head lease and subleases for the premises maintained by Crocus.
- 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 future Quarterly Reports.

8.0 Class Action

Approximately two weeks following the appointment of the Receiver, a Class Action statement of claim ("Class Action") was issued against Crocus, Crocus Capital Inc. and 21 other defendants. The claim sought \$150 million in damages from the defendants for negligence and oppression as well as punitive and exemplary damages. A second Class Action was subsequently filed against the Government of Manitoba (collectively referred to as "Class Actions"). Certain of the defendants, namely certain former directors and officers of Crocus, Wellington West Inc., and BMO Nesbitt Burns Inc., claimed written or statutory indemnities from Crocus for any amounts which they might have been obliged to pay to the class action plaintiffs.

The parties in the Class Actions subsequently entered into various settlement agreements, the last of which was approved by Mr. Justice K. Hanssen on April 22, 2009.

As part of the settlements the directors and officers assigned any claim for contribution and indemnity that they may have to the Class Action plaintiff. Pursuant to this assignment, on June 25, 2010, the Class Action plaintiff filed a statement of claim against Fillmore Riley LLP and Stafford F. Swain & Associates. Fillmore Riley LLP had acted as counsel to the Fund and Stafford F. Swain & Associates had provided valuation services. The claim was a representative action on behalf of the shareholder class and claimed damages of up to \$ 5.0 million plus interest.

The Receiver has been advised that a settlement has been reached between the Class Action plaintiff and Stafford F. Swain & Associates and that a motion to the Court is anticipated shortly to approve the settlement.

9.0 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.

The Receiver began the distribution in October 2009. Concurrent with the distribution the Receiver also began distributing the net proceeds of the Class Action settlements. Class A and Class I shareholders received \$3.83 per share from the approved distribution plus their portion of the Class Action settlement. Depending on the type of account held, it may be necessary for the shareholder to complete applicable transfer or deregistration forms prior to receiving their distribution.

As at March 31, 2011 the Receiver had paid out approximately \$52.3 million or 96% of the authorized interim distribution, however there remains approximately \$2.4 million in unclaimed distributions. The Receiver continues to carry out other procedures to locate and contact shareholders with unclaimed distributions.

The Receiver anticipates recommending to the Court a second interim distribution to take place by the end of 2011. Further details will be provided in the next quarterly report.

10.0 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.

11.0 General

A Statement of Receipts and Disbursements from June 28, 2005 to March 31, 2011 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-July 2011.

Respectfully submitted this 15th day of April, 2011.

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

A handwritten signature in black ink, appearing to read "Steven Peleck". The signature is written in a cursive style with a prominent horizontal stroke at the top.

Per: S. P. Peleck
Senior Vice-President

Appendix 1 – Crocus financial information as at March 31, 2011

Crocus Investment Fund
Consolidated Statement of Net Assets
As at March 31, 2011 (unaudited)

	March 31, 2011
ASSETS	
Cash and equivalents	\$ 14,553,549
Cash in Trust - Interim Distribution	2,415,837
Cash in Trust - Class Action Settlements	308,292
Investments in Manitoba businesses	<u>11,399,198</u>
	28,676,876
Accounts receivable	3,924,140
Capital assets	<u>291,446</u>
	32,892,462
LIABILITIES	
Accounts payable and accrued liabilities	37,338
Due to Shareholders - Interim Distribution	2,415,837
Due to Shareholders - Class Action Settlements	<u>308,292</u>
NET ASSETS	<u><u>\$ 30,130,995</u></u>
SHAREHOLDERS' EQUITY	
Share capital	\$ 188,014,669
Deferred selling costs adjustment	(9,134,637)
Interim Distribution - Class "A" shares	(54,462,836)
Interim Distribution - Class "I" & "L" shares	(264,956)
Deficit	<u>(94,021,245)</u>
	<u><u>\$ 30,130,995</u></u>
NET ASSET VALUE PER SHARE	
Net assets	\$ 30,130,995
Balance attributed to the Class "A" Common and Series Two Class "I" Special Shares	<u>\$ 30,130,995</u>
Number of issued Class "A" Common Shares	14,220,000
Number of issued Series Two Class "I" Special Shares	<u>69,126</u>
	14,289,126
NET ASSET VALUE PER CLASS "A" COMMON SHARE and	
SERIES TWO CLASS "I" SPECIAL SHARE	<u>\$ 2.11</u>

**Crocus Investment Fund
Consolidated Statement of Investment Portfolio
As at March 31, 2011 (unaudited)**

INVESTMENTS IN MANITOBA BUSINESSES

Canad Corporation of Canada Inc.
Diamedica Inc.
D.L.J.S. Enterprises Ltd.
Genesys Venture Inc.
Manitoba Science & Technology Fund
Muddy Waters Smokehouse
Novra Technologies Inc.
Online Enterprises Inc.
ST Partnership
Winnipeg Goldeyes Baseball Club Inc.
W.O.W. Hospitality Concepts Inc.

INVESTMENTS IN MANITOBA BUSINESSES

\$ 11,399,198

Appendix 2 – Statement of receipts and disbursements to March 31, 2011

**Deloitte & Touche Inc., Receiver and Manager of
CROCUS INVESTMENT FUND
Statement of Receipts and Disbursements
For the Period June 28, 2005 to March 31, 2011**

Receipts

Cash and Short Term Investments on Hand	\$ 23,363,012
Contract Back Office Services	518,463
Dividends-Portfolio	657,483
Income Tax Refund	265,708
Insurance Claim and Premium Refund	20,662
Interest-Portfolio	1,629,718
Interest-Short Term Investments	7,258,682
Investment Principal Repayments	1,815,139
Management Fees	1,062,816
Proceeds on Disposal of Investments	49,914,683
Rent/Sub-Lease	1,496,182
Sundry	223,795
Pre-Receivership Accounts Receivable	1,247,368
Class Action Settlements	6,812,978

Total Receipts

96,286,689

Disbursements

Advances to Investees	\$ 265,132
Capital Tax	200,257
Computer, Telephone and Office Expense	663,151
Consulting Fees	306,540
Employee Pension	442,922
Insurance - Indemnification	133,729
Investee Guarantee and Indemnification	1,344,677
Investment Expenses	194,625
Legal Fees	1,996,190
Legal Fees - Indemnification	662,601
Payroll & Benefits	1,735,550
Receiver and Manager Fees	5,980,748
Records Review	1,288,814
Rent	2,363,200
Settlements	620,000
Shareholder Services	1,082,228
Pre-Receivership Payables and Accruals	914,385

Total Disbursements

20,194,749

Excess of Receipts over Disbursements prior to:

76,091,940

Interim Distribution - Class "A" Shares	52,044,621
Interim Distribution - Class "I" & "L" Shares	264,955
Class Action Settlements	6,504,686

Excess of Receipts over Disbursements

\$ 17,277,678

Represented by:

Short Term Investments and Bonds	\$ 14,553,549
Cash in Trust - Interim Distribution	2,415,837
Cash in Trust - Class Action Settlements	308,292

\$ 17,277,678

www.deloitte.ca

Deloitte, one of Canada's leading professional services firms, provides audit, tax, consulting, and financial advisory services through more than 7,600 people in 57 offices. Deloitte operates in Québec as Samson Bélair/Deloitte & Touche s.e.n.c.r.l. Deloitte & Touche LLP, an Ontario Limited Liability Partnership, is the Canadian member firm of Deloitte Touche Tohmatsu Limited.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

© Deloitte & Touche LLP and affiliated entities.