



## **Crocus Investment Fund**

### **Receiver's Report No. 19**

January 6, 2022

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# 1.0 Introduction

On June 28, 2005 (the "**Date of Receivership**"), 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.

In September 2009, the Receiver recommended, *inter alia*, a rateable distribution amongst the Class A and Class I shareholders as is contemplated by *The Crocus Investment Fund Act* and the Articles of Incorporation in respect of a winding up. On September 4, 2009, the Court approved a rateable interim distribution (the "**First Distribution**") to Class A and Class I shareholders of approximately \$54.7 million which equated to \$3.83 per Class A and Class I share. In addition, the Court approved the redemption of the Class L shares.

In June 2011, the Receiver filed Receiver's Report No. 13 with the Court recommending a second interim distribution (the "**Second Distribution**") to Class A and Class I shareholders of approximately \$7.9 million. A hearing date was set for June 30, 2011, but the motion was contested by certain former directors of the Fund. Collectively, the former directors did not oppose a Second Distribution to shareholders, but requested that funds continue to be held back for the benefit of the directors. On December 12, 2011, after further progress had been made by the Receiver on realizing on the portfolio of investments, the Court issued an Order authorizing the Second Distribution of \$9.0 million to the Class A and Class I shareholders.

In October 2014, the Receiver filed Receiver's Report No. 14 with the Court recommending a third rateable interim distribution (the "**Third Distribution**") to Class A and Class I shareholders of approximately \$8.6 million, and on October 22, 2014, the Court approved the Third Distribution.

Since the approval of the Third Distribution, the Receiver has continued to realize on the portfolio of investments and generated additional proceeds. Furthermore, the undertakings and obligations of the Receiver have been reduced such that it is holding sufficient cash for known claims, obligations, and ongoing commitments. Accordingly, the Receiver is now in a position where it recommends a fourth and final distribution (the "**Final Distribution**") of approximately \$5,203,309 which equates to approximately \$0.36 per Class A and Class I share.

This report ("**Report No. 19**") provides an update on the background and support for this recommendation.

## 2.0 Terms of reference

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 Report No. 19. The reader is cautioned that Report No. 19 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 Report No. 19. Any use which any party makes of Report No. 19, or any reliance or decision to be made based on Report No. 19, is the sole responsibility of such party.

Unless otherwise stated, all monetary amounts contained in Report No. 19 are expressed in Canadian dollars. Capitalized terms used in Report No. 19 but not defined herein are as defined in Receiver's Reports previously filed in these proceedings.

## 3.0 Purpose

The purpose of Report No. 19 is to:

- Report on the activities of the Receiver as well as to provide an update on the financial position of the Fund since the filing of Receiver's Report No. 17 on May 12, 2016 ("**Report No. 17**");
- Pass the accounts of the Receiver and its legal counsel in accordance with paragraph 18 of the Receiving Order;
- Seek the approval of the Court for a Final Distribution to shareholders; and
- Seek the discharge of the Receiver subsequent to the Final Distribution.

As detailed in Report No. 17, the Receiver previously sought approval of its fees and disbursements, including those of its legal counsel, for the periods June 28, 2005 to March 31, 2012, and April 1, 2012 to March 31, 2016. Report No. 19 will be in support of the Receiver's fees and disbursements for the period April 1, 2016 to December 31, 2021 (the "**Interim Period**"), and includes an estimate of the fees and disbursements of the Receiver to complete the Final Distribution and administration of the receivership proceedings.

## 4.0 Background

Crocus was a Labour-Sponsored Venture Capital Corporation (formerly referred to as a Labour Sponsored Income Fund or LSIF). The Fund was created with the enactment of *The Manitoba Employee Ownership Fund Corporation Act, C.C.S.M. c. E95* (the "**Act**"). The purpose of the Act was to facilitate the raising of venture capital through the sale of common shares of the Fund. The proceeds from the sale of shares were intended to be invested in eligible Manitoba businesses. The name of the Act was subsequently changed to *The Crocus Investment Fund Act ("The Crocus Act")* by virtue of Part 2 of *The Labour-Sponsored Investment Funds (Various Acts Amended) Act, C.C.S.M. c. C308*.

Common shares of the Fund ("**Common Shares**" or "**Class A Shares**") were available for purchase by individuals, with the purchase of shares generally being made through Registered Retirement Savings Plans ("**RRSP**"). Purchasers of Class A Shares were in most cases entitled to certain Provincial and Federal tax credits. The Fund offered shares for purchase between 1992 and December 2004, at which time the trading of the shares was halted. At that time, Crocus' valuation of the Class A Shares was \$10.45 per share. Due to a write down in the value of the Crocus investment portfolio in April 2005 of approximately \$43.0 million, the value of Class A Shares was reduced to approximately \$7.00 per share.

The capitalization of the Fund as at the Date of Receivership was as follows:

- 200,000 Class G Shares issued for \$2.0 million held by the Province of Manitoba;
- 20 Class L Shares issued for \$200 held by the Manitoba Federation of Labour;
- 69,126 Series Two Class I Shares issued for \$800,145 held by three (3) different institutional shareholders; and
- 14,220,000 Class A Shares issued for \$185,214,324 held by 33,569 individual shareholders.

Most of the Class A shareholders invested \$1,000 to \$5,000 in the Fund, representing 58% of the invested money. The average individual investment in the Fund was approximately \$5,500 and the median investment was \$5,000. Cumulatively, 29,331 or 87% of the shareholders originally invested less than \$10,000. These figures exclude the tax credits to which investors were entitled as a result of their purchases.

Due to further losses and write-downs incurred by the Fund subsequent to April 2005, the value of Class A Shares at the Date of the Receivership was approximately \$5.99 per share. Since the commencement of the receivership in June 2005, the Receiver has undertaken to realize on the investment portfolio held by the Fund in a commercially reasonable manner. As at December 31, 2021, all forty-six (46) investments have been realized upon or closed. Since its appointment, the Receiver has realized proceeds of approximately \$65.7 million for investments with a June 28, 2005 book value of approximately \$64.8 million, representing a recovery of approximately 101%.

As detailed above, the Court has previously authorized three (3) interim distributions:

- The First Distribution on September 4, 2009 for approximately \$54.7 million, along with approximately \$6.8 million in class action settlement ("**Class Action**") proceeds;

- The Second Distribution on December 12, 2011 for approximately \$9.0 million; and
- The Third Distribution on October 14, 2014 for approximately \$8.6 million, along with approximately \$0.7 million in Class Action proceeds

(collectively the "**Distributions**") to Class A and Class I shareholders.

The Distributions (excluding the Class Action proceeds) represent approximately \$72.3 million, or approximately \$5.06 per share. The Class Action proceeds account for an additional distribution to Class A and Class I shareholders of approximately \$7.5 million, or approximately \$0.52 per share.

## 5.0 Activities of the Receiver

Since the previous passing of accounts on May 12, 2016, the Receiver has prepared one (1) report as well as twenty-two (22) quarterly reports all of which detail its activities and which are available on the Receiver's website at [www.deloitte.com/ca/crocusfund](http://www.deloitte.com/ca/crocusfund) (the "**Receiver's Website**").

The receivership has involved complex and difficult negotiations in liquidating certain of the residual investments, along with protracted litigation proceedings. The following provides details of certain significant events that have occurred during the Interim Period.

### 5.1 Liquidation of Residual Investments

#### Canad Corporation Ltd. ("Canad")

As reported in the Receiver's quarterly reports, on June 19, 2014, the Receiver caused Crocus to commence proceedings against Leon Norman Ledohowski ("**Mr. Ledohowski**"), LRC Holding Corporation Inc., and Canad as respondents (collectively the "**Respondents**") in a Court of Queen's Bench filing. In its Notice of Application, Crocus sought various forms of relief including declarations that Mr. Ledohowski had exercised his powers as a director of Canad, and that Canad had conducted its business and affairs in a manner that was oppressive of, or unfairly prejudicial to, or which unfairly disregarded, the interests of Crocus as a shareholder of Canad. The Notice of Application also sought an Order that Canad be liquidated and dissolved and that the proceeds from such liquidation be distributed to the shareholders of Canad. The Notice of Application was supported by an Affidavit sworn by Steven P. Peleck (the "**Peleck Affidavit**"), in his capacity as Senior Vice-President of the Receiver. Counsel for Canad filed a motion seeking an order expunging certain parts of the Peleck Affidavit. The motion was heard on May 27, 2015 and, during submissions before Madam Justice Pfeutzner, it was agreed that the Notice of Application and Peleck Affidavit would be expunged with leave to file amended documents.

On July 17, 2015, an Amended Notice of Application was filed seeking similar relief as was sought by the Receiver in June 2014. The Amended Notice of Application was supported by an Affidavit sworn by Brent Warga ("**Mr. Warga**"), in his capacity as Senior Vice-President of the Receiver. The Respondents filed affidavit evidence on May 31, 2016.

On September 12, 2016, the Receiver, along with its legal counsel, Thompson Dorfman Sweatman LLP ("**TDS**"), met with Canad to revisit whether an exit strategy for Crocus could be mutually agreed upon. Although continued dialogue between the Receiver and Canad did occur subsequent to this meeting, an exit strategy was not reached. Accordingly, in response to the Respondents' affidavit evidence, a supplemental affidavit was sworn by Mr. Warga on November 7, 2017 and was filed with the Court.

On January 7, 2019, TDS sent correspondence to the Honourable Chief Justice Glenn D. Joyal ("**Justice Joyal**") describing the need for case management ("**Case Management**") pursuant to *Queen's Bench Rule* 50.1, and requesting that the parties be ordered to attend one or more case conferences. The Receiver and TDS were of the view that Case Management was appropriate in order to minimize the likelihood of further delays in the litigation proceedings, and to ensure that the most expeditious and least expensive determination or disposition of the litigation proceedings was achieved.

On March 13, 2019, TDS and Canad's legal counsel, Fillmore Riley LLP, met with Justice Joyal, at which time it was determined that Case Management was appropriate in the circumstances. The Honourable Justice Chris Martin ("**Justice Martin**") was subsequently appointed as Case Management Judge, and the parties had their initial appearance before Justice Martin on May 29, 2019.

After obtaining a preliminary understanding of the parties' positions, Justice Martin concluded that with the Receiver wanting to liquidate its position in Canad, and with Canad having some willingness to do so, the parties should concentrate on trying to come to an agreement rather than simply moving forward through the formal litigation process. Justice Martin suggested that he be invited to attempt to mediate a settlement through a judicially assisted dispute resolution ("**JADR**") process, conditional on both the Receiver and Canad participating in the mediation with the true objective of reaching a settlement.

On September 13, 2019, the Receiver and Canad participated in the JADR mediation process. The Receiver and Canad reached an agreement in principle at the September 13, 2019 mediation, and the agreement was finalized and approved by the Court on November 29, 2019.

### **Novra Technologies Inc. ("Novra")**

As reported in the Receiver's quarterly reports, Novra was an investment held by the Fund representing both equity and debt obligations due to Crocus, whereby the Receiver and the investee had entered into a long-term agreement for the repayment of the indebtedness (the "**Novra Indebtedness**"), with the final debt payment due on or before September 1, 2020 (the "**Repayment Date**"). The final payment in respect of the Novra Indebtedness was received on March 29, 2021 in the amount of approximately \$52,007.

During the period April 1, 2016 to December 31, 2020, the Receiver entered into numerous discussions with Novra in an attempt to settle the Funds' equity position. As no settlement agreement could be reached with Novra, and as the Receiver was expecting repayment of the Novra Indebtedness in early 2021, commencing in mid-January 2021, the Receiver began, with the assistance of TD Waterhouse Canada Inc., to aggressively liquidate the Funds' holdings including approximately 3.3 million shares held by Crocus, and approximately 1.0 million shares held by Manitoba Science and Technology Fund ("**MS&T**", collectively the "**Novra Equity Holdings**"). The Novra Equity Holdings were liquidated by early-April 2021.

### **MS&T, Genesys Ventures Inc. ("GVI"), and ST Partnership ("STP")**

As reported in the Receiver's quarterly reports, Crocus was an investor in MS&T, a limited partnership holding several science and technology investments. Crocus was the sole owner of Scitech Management Inc., the general partner (the "**General Partner**") of MS&T, and the limited partners gave the General Partner a mandate to wind down the partnership. The Funds' holdings also included GVI and STP, and MS&T's holdings included GVI and other science and technology investments.

After years of extensive and protracted negotiations with the principal of GVI, on May 12, 2021, the Receiver entered into a share purchase agreement with ADF Family Holding Corp. ("**ADF**"), whereby ADF agreed to acquire both the Funds' and MS&T's interests in GVI. The share purchase transaction closed that same day.

STP was formed as part of the share purchase transaction when Crocus and MS&T acquired their respective interests in GVI in January 2000. Crocus contributed 756 units of MS&T to STP, and ADF contributed 500,000 common shares in the capital of Viventia Biotech Inc. ("**VBI**") (formerly

Novopharm Biotech Inc.). The shares of VBI were liquidated in December 2011 with the proceeds distributed on a pro-rata basis to Crocus and ADF at the time, and the only remaining asset of STP is its interest in MS&T.

As at the date of Report No. 19, all of the investments held by MS&T have been liquidated, and the Receiver is in the process of dissolving and winding-up MS&T and making a final distribution to the limited partners. The Receiver anticipates that approximately \$60,000 will be received by Crocus from the final distribution, which proceeds will be added to the quantum of the Final Distribution.

## **5.2 Administration of the Distributions and Shareholder Support Services**

Since April 1, 2016, the Receiver has continued to administer the Distributions, and has distributed approximately \$1.5 million during the Interim Period. As at the date of Report No. 19, there remains approximately \$2.0 million in unclaimed funds from the Distributions.

The Receiver has also continued to work with its back office service provider, Prometa Fund Support Services Inc. ("**Prometa**"), to ensure ongoing fund administration and information technology support, which services include, *inter alia*, the following:

- Maintaining the shareholder database and hardcopy records;
- Addressing shareholder inquiries and processing requested transfers, information updates, death estates, etc.;
- Providing information to complete required tax reporting to Crocus shareholders and Canada Revenue Agency ("**CRA**");
- Completing required reporting to the bare trustee of the Crocus specimen plan including reconciliation assistance between the Crocus' accounting records and the shareholder database;
- Maintaining Crocus' connection to FundSERV and investigating dealer enquiries as required;
- Providing support for the Distributions including resolving payment issues (i.e. stale dated, voided, or reversal of cheques, cheque printing errors, etc.), generating documents for provision to a third-party mailing service provider, generating reports to support the Funds' accounting, etc.;
- Processing distribution forms received from Crocus shareholders;
- Supporting and maintaining hardware (i.e. workstations, server access and scanning equipment) and software (CRUMP, FundSERV, Distribution System, DocuShare for historical information, etc.);
- Backing up system data on a daily basis;
- Generating customized reports as required;
- Searching Crocus' historical electronic records as necessary for required data; and
- Ongoing system programming in order for the Receiver to facilitate the Final Distribution.

Throughout the receivership the Receiver kept the shareholders (i.e. approximately 33,569 individuals) apprised on the status of its activities through direct correspondence, updating the Receiver's Website, and by e-mail and telephone.

### 5.3 Preparation for the Final Distribution

The Receiver has undertaken (and/or is in the process of undertaking) the following activities in respect of preparing for the Final Distribution:

- Planning and testing the Final Distribution system (as Crocus did not have a system in place to affect an "en masse" distribution to its shareholders);
- Estimating the costs to complete the Final Distribution; and
- Preparing shareholder communications and publication notices.

Based on the estimated costs to be incurred in administering the Final Distribution, paying any unclaimed funds to the Minister of Finance (as further discussed below), and filing the Receiver's discharge certificate with the Court, the Receiver has prepared the below estimated cost summary in support of the funds to be held back from the Final Distribution (the "**Receiver's Holdback**").

**Crocus Investment Fund  
Receiver's Holdback - Final Distribution and Discharge**

	<b>Amount</b>	<b>Notes</b>
Advertising	10,000	<b>(1)</b>
Back office services	126,000	<b>(2)</b>
Bare trustee costs	9,000	<b>(3)</b>
Legal fees and disbursements (inclusive of taxes)	72,800	<b>(4)</b>
Office and mailing costs	96,700	<b>(5)</b>
Receiver fees and disbursements (inclusive of taxes)	284,813	<b>(6)</b>
Transaction fees	27,000	<b>(7)</b>
Contingency	23,687	<b>(8)</b>
<b>Receiver's Holdback</b>	<b>\$ 650,000</b>	

**Notes:**

- (1) Advertising of Final Distribution in the Winnipeg Free Press and Globe and Mail.
- (2) Estimated costs of the Receiver's back office service provider (Prometa Fund Support Services) for nine (9) months (to September 30, 2022).
- (3) Estimated costs of the bare trustee (Concentra Trust) for nine (9) months.
- (4) Estimated legal fees and disbursements to conclude the receivership proceedings.
- (5) Estimated costs of maintaining telephone services, procuring cheque stock, mailing and distribution costs, etc.
- (6) Estimated Receiver's fees and disbursements (to be incurred subsequent to December 14, 2021):

	<b>Hours</b>	<b>Rate</b>	<b>Total</b>
Partner	225	500	112,500
Senior Manager	200	400	80,000
Senior Associate	350	225	78,750
Subtotal	775		271,250
GST			13,563
Total			284,813

- (7) Estimated costs for transaction processing with Fundserv Inc. for nine (9) months.
- (8) Reserve for unforeseen costs.

The estimated Receiver fees and disbursements detailed in the table above are on account of the following ongoing activities:

- Facilitating the Final Distribution, and continuing to administer all prior Distributions during the Final Distribution Period (as defined below);

- Preparing quarterly financial reporting for the Fund;
- Addressing shareholder enquiries and facilitating changes to shareholder accounts;
- Finalizing all statutory tax filings for the Fund; and
- Completing all matters incidental to the final discharge of the Receiver.

#### 5.4 Unclaimed Funds

As at the date of Report No. 19, approximately \$2.0 million remains unclaimed by shareholders from the prior Distributions, as summarized in the table below:

<b>Unclaimed Distributions</b>					
<b>Distribution</b>	<b># of shareholders</b>	<b>Amount</b>	<b>Minimum \$ per any one shareholder</b>	<b>Maximum \$ per any one shareholder</b>	
First Distribution	1,243	\$ 1,068,921	5.57	13,995.19	
Second Distribution	2,365	361,820	0.78	2,061.67	
Third Distribution	3,143	554,305	5.10	2,109.98	
<b>Total</b>	<b>6,751</b>	<b>\$ 1,985,046</b>			

In the event that the Court approves the Final Distribution, in order to limit the ongoing costs of the receivership proceedings, the Receiver is recommending that the Final Distribution (and prior Distributions) remain "open" for shareholders to claim their entitlement to their respective pro-rata distributions for a period of six (6) months from the date of the Final Distribution Order, or September 30, 2022, which ever is later (the "**Final Distribution Period**").

At the expiration of the Final Distribution Period, and upon the winding up of Crocus, the Receiver proposes to pay all remaining unclaimed funds (the "**Unclaimed Funds**") to the Minister of Finance, subject to the right of any unpaid shareholders to make a claim to the Minister of Finance to recover amounts to which they are entitled. The Receiver will no longer maintain any active shareholder registry at the expiration of the Final Distribution Period, and will provide the Minister of Finance with a comprehensive list of shareholders with their respective entitlements to the Unclaimed Funds. Once the Unclaimed Funds are paid to the Minister of Finance, the Receiver proposes to finalize any residual administration matters (i.e. tax filings, final dissolution of Crocus, etc.) and then file the Receiver's Discharge Certificate (as defined below) with the Court.

## 6.0 Creditors, Commitments, and Contingencies

With the completion of the Canad settlement in November 2019, the Receiver is not aware of any known contingencies or indemnities provided by Crocus that remain outstanding as at the date of Report No. 19.

# 7.0 Distribution

## 7.1 Rateable distribution

Prior to the First Distribution, the Receiver notified all Class A shareholders of its intention to make an application to the Court during September 2009 for authority to make an interim distribution to the Class A and Class I shareholders of Crocus. The notification was through a published notice in the Winnipeg Free Press, Brandon Sun, and the Globe and Mail, as well as the Receiver's Website. The notice and letter advised that the proposed interim distribution would be on a rateable basis to Class A and Class I shareholders as follows:

$$\frac{\text{Total funds approved for interim distribution}}{\text{Total number of Class A and Class I shares}} \times \text{Number of shares held by a shareholder} = \text{Shareholder's portion of interim distribution}$$

Five (5) shareholders responded to the notice regarding the proposed interim distribution and the responses were submitted to the Court. None of the responses appeared to constitute opposition to the First Distribution. The distribution Orders for the First, Second, and Third Distributions ordered payment on a rateable basis. The Receiver recommends the same treatment for the Final Distribution.

Should the Court approve the Final Distribution, Class A shareholders who continue to maintain registered plans will have the option of transferring their portion of the distribution to another tax deferred account or deregistering the funds which would cause the funds to be taxable.

## 7.2 Quantum of funds

The Receiver recommends that the sum of \$5,203,309 be divided among Class A and Class I shareholders on a rateable basis as is contemplated by *The Crocus Act* and the Articles of Incorporation in respect of a winding up. This amount equates to approximately \$0.36 per Class A and Class I Share as detailed below:

<b>Proposed Final Distribution</b>	
Funds Held In Trust as at December 31, 2021 (Appendix A)	\$ 7,838,355
Less:	
Cash in Trust - Unclaimed Interim Distributions	1,985,046
Receiver's Holdback	650,000
Subtotal	2,635,046
<b>Net Receipts Available for Final Distribution</b>	<b>5,203,309</b>
Class I Shares	69,126
Class A Shares	14,220,000
Subtotal	14,289,126
<b>Total per Share</b>	<b>\$ 0.3641</b>

In determining the quantum of funds available for the Final Distribution, the Receiver concluded that sufficient funds need to be held back to complete the Final Distribution, pay any unclaimed funds to the Minister of Finance, and for the Receiver to complete the administration of the receivership proceedings (i.e. final tax filings, etc.) and obtain its discharge.

Should the Court approve the Final Distribution, it is anticipated that it will take place in the first and second quarters of calendar 2022.

### **7.3 Tax credit claw back**

When a shareholder purchased Class A Shares, the shareholder was, except for certain specific exemptions, restricted from redeeming or transferring the shares for a period of eight (8) years. As at the date of Report No. 19, the hold period has expired for all of the Class A shareholders.

## 8.0 Accounts of the Receiver

Pursuant to Paragraph 17, 18, and 19 of the Receiving Order, any expenditure or liability properly made or incurred by the Receiver, including the fees of the Receiver and its counsel incurred at their normal rates and charges, as well as the disbursements of the Receiver and its counsel, were authorized to be paid on a periodic basis subject to any final assessment or taxation as may be ordered by the Court. As detailed in Receiver's Report No. 17 (and ordered by the Court on September 16, 2016), the Receiver's accounts were previously taxed and approved by the Court up to and including March 31, 2016. The Receiver's accounts subsequent to the March 31, 2016 taxation are summarized in a Statement of Receipts and Disbursements for the Interim Period, attached hereto as Appendix A. Receipts total approximately \$6.2 million with disbursements totalling approximately \$2.1 million. Interim distributions paid to shareholders during the Interim Period total approximately \$1.5 million.

### 8.1 Account Summary

The following is a summary of the receipts and disbursements during the Interim Period:

Receipts	Amount (\$)	Description
Dividends – Portfolio	160,000	Represents a dividend declared and paid by Canad on March 28, 2019.
Income Tax Refund	28,863	Various refunds of Income Taxes and Goods and Services Taxes.
Interest – Portfolio	186,171	Represents interest paid by Crocus Investees where Crocus had made loan advances.
Interest – Short Term Investments	235,416	The Receiver invested surplus funds primarily in Guaranteed Investment Certificates and business bank accounts. Represents interest earned on these investments and accounts.
Investment Principal Repayments	536,970	Represents principal repayments received for loans advanced by Crocus to Novra.
Management Fees	206,889	Crocus was an investor in MS&T, which was a limited partnership holding several science and technology investments. Crocus was the sole owner of the General Partner and the limited partners gave the General Partner a mandate to wind down the partnership. The majority of the fees relate to the management of MS&T.

Proceeds on Disposal of Investments	4,868,787	Represents funds received from the liquidation of equity investments. Refer to Section 5.1 above.
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<b>Disbursements (Expenditures)</b>	<b>Amount (\$)</b>	<b>Description</b>
Computer Telephone and Office Expense	31,371	The Receiver has maintained an office primarily to house the shareholders services department which was required to maintain telephone and computer systems to deal with enquiries and make changes as necessary for the approximate 37,000 shareholder accounts.
Investment Expenses	9,753	Represents various out of pocket costs in managing the investments.
Legal Fees	125,214	Refer to Section 8.3 below.
Legal Disbursements	3,045	Represents disbursements incurred by legal counsel.
Taxes on Legal Fees and Disbursements	16,073	Represents taxes on legal fees and disbursements.
Receiver and Manager Fees	748,529	Refer to Section 8.2 below.
Taxes on Receiver and Manager Fees	37,825	Represents taxes on Receiver and Manager fees.
Shareholder Services	1,157,180	Represents fees paid to the firm which maintains the trust for Crocus' registered products, fees paid to FundSERV which allows for dealer enquiries and shareholder transfers to be processed, fees paid to Prometa to maintain back office services to address shareholder enquiries, requests, account transfers, etc., and costs associated with postage and mailing for the notices sent to shareholders.

## **8.2 Receiver Fees**

The fees of the Receiver from April 1, 2016 to December 14, 2021 total approximately \$0.7 million (excluding GST). The following summarizes the quantum of fees by year:

Position	Annual Receiver Fees (excluding GST)										
	As Taxed		Post Taxation (April 1, 2016)							Subtotal	Total
	2005 to 2016	2016	2017	2018	2019	2020	2021				
Technician	\$ 45,529	\$ 99	\$ 207	\$ 80	\$ -	\$ 320	\$ 40	\$ 746	\$ 46,275		
Staff Accountant	2,848,248	39,595	57,203	49,791	44,115	47,061	49,295	287,060	3,135,308		
Manager	474,977	23,345	40,995	13,925	-	-	-	78,265	553,242		
Senior Manager	2,058,071	5,800	4,960	2,600	18,885	12,233	20,538	65,015	2,123,086		
Partner	3,377,522	72,477	64,202	31,037	41,234	38,858	69,637	317,443	3,694,965		
	<b>\$ 8,804,347</b>	<b>\$ 141,316</b>	<b>\$ 167,566</b>	<b>\$ 97,433</b>	<b>\$ 104,234</b>	<b>\$ 98,471</b>	<b>\$ 139,510</b>	<b>\$ 748,529</b>	<b>\$ 9,552,876</b>		

The following summarizes the number of hours by level:

Position	Annual Hours										
	As Taxed		Post Taxation (April 1, 2016)							Subtotal	Total
	2005 to 2016	2016	2017	2018	2019	2020	2021				
Technician	601.4	1.1	2.3	0.8	-	3.2	0.4	7.8	609.2		
Staff Accountant	17,220.7	191.7	271.2	237.1	207.5	224.1	228.1	1,359.7	18,580.4		
Manager	1,905.6	77.4	126.8	43.0	-	-	-	247.2	2,152.8		
Senior Manager	5,323.4	14.5	12.4	6.5	52.8	32.3	52.4	170.9	5,494.3		
Partner	6,860.4	149.6	129.7	62.7	83.3	78.5	139.9	643.7	7,504.1		
	<b>31,911.5</b>	<b>434.3</b>	<b>542.4</b>	<b>350.1</b>	<b>343.6</b>	<b>338.1</b>	<b>420.8</b>	<b>2,429.3</b>	<b>34,340.8</b>		

The following summarizes the average hourly rate by level by year:

Position	Average Hourly Rate										
	As Taxed		Post Taxation (April 1, 2016)							Subtotal	Total
	2005 to 2016	2016	2017	2018	2019	2020	2021				
Technician	76	90	90	100	-	100	100	96	76		
Staff Accountant	165	207	211	210	213	210	216	211	169		
Manager	249	302	323	324	-	-	-	317	257		
Senior Manager	387	400	400	400	358	379	392	380	386		
Partner	492	484	495	495	495	495	498	493	492		
Average	<b>276</b>	<b>325</b>	<b>309</b>	<b>278</b>	<b>303</b>	<b>291</b>	<b>332</b>	<b>308</b>	<b>278</b>		

The fees charged by the Receiver are based on the amount of professional time required at hourly billing rates, which vary depending upon the experience, level, and location of the professionals involved. The rates charged by the Receiver are comparable to the rates charged for the provision of services by other professional firms providing specialized financial advisory and restructuring services and the fees are fair and reasonable in the circumstances. Furthermore, the fees have been validly incurred in accordance with the provisions of the Receiving Order.

### 8.3 Legal Fees

The following table summarizes the legal fees for counsel to the Receiver by year:

Law Firm	Annual Legal Fees (Excluding Disbursements and Taxes)										
	As Taxed		Post Taxation (April 1, 2016)							Subtotal	Total
	2005 to 2016	2016	2017	2018	2019	2020	2021				
Aikins MacAulay Thorvaldson LLP	\$ 53,338	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,338		
Donald G. Douglas Law Corporation	-	-	-	-	24,030	-	-	24,030	24,030		
Fairfield Woods P.C.	42,919	-	-	-	-	-	-	-	42,919		
Fillmore Riley LLP	96,925	-	-	-	-	-	-	-	96,925		
Hill Sokalski Walsh Olson LLP	853,158	5,744	494	-	415	-	664	7,317	860,475		
Thompson Dorfman Sweatman LLP	1,245,898	38,151	11,705	400	39,581	2,560	1,470	93,867	1,339,765		
<b>Total</b>	<b>\$ 2,292,238</b>	<b>\$ 43,895</b>	<b>\$ 12,199</b>	<b>\$ 400</b>	<b>\$ 64,026</b>	<b>\$ 2,560</b>	<b>\$ 2,134</b>	<b>\$ 125,214</b>	<b>\$ 2,417,451</b>		

Hill Sokalski Walsh Olson LLP acted as primary litigation counsel to the Receiver while TDS acted as primary commercial counsel and also served the role of general counsel to which the Receiver regularly turned to in seeking advice on the conduct of the receivership and review of various documents prepared by the Receiver, including certain of its Reports. Donald G. Douglas ("Mr. Douglas") was the primary lawyer with carriage of the Crocus matter at TDS. On May 31, 2019, Mr. Douglas retired from TDS, and continued to practice as Donald G. Douglas Law Corporation ("DGD Law"). Given Mr. Douglas's familiarity with the Crocus receivership proceedings, and in particular the Canad matter, the Receiver continued to retain Mr. Douglas subsequent to his retirement from TDS.

In addition to representing the Receiver on the litigation matter outlined above, the legal firms also acted for the Receiver on matters relating to specific Investees as well as other ancillary matters.

Throughout the receivership the Receiver strived to maintain the confidential nature of the commercial relationships that Crocus had with its Investees and, to that end, has limited the disclosure with respect to both the Receiver and legal fees incurred in dealing with the individual Investees. In general, the activities of counsel with respect to the Investees included, but were not limited to, the following:

- Reviewing and renewing Annual Corporations Returns for Crocus and its subsidiaries;
- Reviewing of shareholder and other agreements and arrangements that Crocus had entered into with its Investees and reporting to the Receiver on the various rights, if any, that it had pursuant to the agreements;
- Reviewing of the validity and enforceability of guarantees or indemnities where Crocus had guaranteed the obligations of an Investee or provided an indemnity;
- Providing the Receiver with views on the various options available regarding exit of the investments;
- Reviewing term sheets and preparing definitive agreements relating to the sale of Investees;
- Preparing and attending at closings and reporting thereon;
- Drafting of claims and representing the Receiver where the Receiver initiated litigation; and
- Representing the Receiver in settlement discussions.

Given the complex nature of the Crocus receivership, there was a significant amount of Partner time involved. Hourly rates vary by firm, and during the Interim Period, Partner rates have ranged from \$415 to \$475 per hour. The Receiver considers the fees of its counsel as fair and reasonable in the circumstances and validly incurred in accordance with the provisions of the Receiving Order.

## 9.0 Notice to Shareholders

The Receiver will publish notice of the Final Distribution (the "**Shareholder Notice**") and the passing of its accounts in the Winnipeg Free Press and Globe and Mail on January 22, 2022, and at least thirty (30) days (the "**Notice Period**") prior to commencing the Final Distribution. The notice will take the form as attached hereto as Appendix B, and will advise that any objection to the Final Distribution, the passing of the Receiver's accounts, and the Receiver's discharge must be received by the Receiver in writing on or before February 25, 2022.

The Receiver will advise the Court upon the expiration of the Notice Period of any objections that are received, and will seek the advice and direction of the Court thereon. If no objections are received, the Receiver will advise the Court thereof and immediately commence the Final Distribution.

# 10.0 Statement of Receipts and Disbursements

The Receiver has prepared a Statement of Receipts and Disbursements for the Interim Period, a copy of which is attached hereto as Appendix A. Total receipts were approximately \$6.2 million and total disbursements were approximately \$2.1 million.

As at the date of Report No. 19, the Receiver was holding approximately \$7.8 million in trust:

- Approximately \$2.0 million related to unclaimed funds from prior Distributions; and
- Approximately \$5.8 million of funds to address the Receiver's Holdback and the Final Distribution.

# 11.0 Summary and Relief Sought

As all forty-six (46) of the Crocus investments have been liquidated by the Receiver, the only matters left to complete the administration of the receivership proceedings include the following:

- Payment of the Final Distribution;
- Payment of the Unclaimed Funds to the Minister of Finance; and
- Discharge of the Receiver.

The Receiver believes that, other than completing the Final Distribution and certain administrative matters, the Receiver's mandate pursuant to the Receiving Order (the "**Receiver's Mandate**") is substantially complete. For the reasons outlined above, the Receiver respectfully requests that the Court provide an Order:

- Approving all activities, actions, and proposed courses of action of the Receiver (collectively, the "**Actions of the Receiver**") to date in relation to the discharge of its duties and the Receiver's Mandate pursuant to the Orders of this Court in these proceedings, as such actions of the Receiver are more particularly described in Report No. 19;
- Approving the quantum of the Final Distribution;
- Approving the Shareholder Notice and publication thereof;
- Approving the Receiver's Holdback to complete the within application, to complete the Final Distribution, and to finalize the receivership proceedings, without the requirement of taxation or formal passing of accounts;
- Approving the fees and disbursements of the Receiver and its legal counsel for the Interim Period;
- Approving the Receiver's Statement of Receipts and Disbursements for the Interim Period;
- Approving payment of the Unclaimed Funds to the Minister of Finance after the Final Distribution Period;
- That upon payment of the Final Distribution, payment of the Unclaimed Funds to the Minister of Finance, and the filing of the discharge certificate (the "**Receiver's Discharge Certificate**"), the Receiver shall be discharged as Receiver, provided that notwithstanding such discharge:
  - The Receiver shall remain Receiver for the performance of such routine administrative tasks as may be required to complete the administration of these proceedings; and
  - The Receiver shall continue to have the benefit of the provisions of all Orders made in these proceedings, including all approvals, protections, and stays of proceedings in favor of Deloitte in its capacity as Receiver;

- That upon discharge of the Receiver, Crocus will be deemed to be wound up in accordance with section 27 of *The Securities Act*;
- That upon the Receiver filing the Receiver's Discharge Certificate with the Court confirming that the Receiver has completed the Receiver's Mandate, that Deloitte be discharged from any and all liability, save and except for any liability arising out of gross negligence or willful misconduct on the part of the Receiver; and
- Granting such further and other relief that the Court considers just and warranted in the circumstances.

All of which is respectfully submitted at Winnipeg, Manitoba, this 6<sup>th</sup> day of January, 2022.

**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 A – Statement of receipts and disbursements to December 31, 2021

**Deloitte Restructuring Inc., Receiver and Manager of  
CROCUS INVESTMENT FUND  
Statement of Receipts and Disbursements  
For the Period June 28, 2005 to December 31, 2021**

	<b>June 28, 2005 to March 31, 2016</b>	<b>April 1, 2016 to December 31, 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	28,863	549,059
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	235,416	7,962,651
Investment Principal Repayments	3,182,022	536,970	3,718,992
Management Fees	1,295,043	206,889	1,501,932
Proceeds on Disposal of Investments	57,140,767	4,868,787	62,009,554
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>\$ 6,223,096</b>	<b>\$ 114,293,355</b>
<b>Disbursements</b>			
Advances to Investees	\$ 265,132	\$ -	\$ 265,132
Capital Tax	200,257	-	200,257
Computer, Telephone and Office Expense	856,301	31,371	887,672
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	125,213	2,417,451
Disbursements	64,678	3,045	67,723
Taxes	294,107	16,073	310,180
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	748,529	9,552,876
Taxes	491,554	37,825	529,379
Rent	4,317,703	-	4,317,703
Settlements	775,991	-	775,991
Shareholder Services	2,164,467	1,157,180	3,321,647
Pre-Receivership Payables and Accruals	914,385	-	914,385
<b>Total Disbursements</b>	<b>26,514,856</b>	<b>2,128,989</b>	<b>28,643,845</b>
<b>Excess of Receipts over Disbursements prior to:</b>	<b>81,555,403</b>	<b>4,094,107</b>	<b>85,649,510</b>
Interim Distributions - Class "A" Shares	68,782,103	1,346,742	70,128,845
Interim Distributions - Class "I" & "L" Shares	349,970	-	349,970
Class Action Settlements	7,222,807	109,533	7,332,340
<b>Excess of Receipts over Disbursements</b>	<b>\$ 5,200,523</b>	<b>\$ 2,637,832</b>	<b>\$ 7,838,355</b>
Represented by:			
Short Term Investments and Bonds			\$ 5,853,309
Cash in Trust - Interim Distributions			1,985,046
			<b>\$ 7,838,355</b>

# Appendix B – Notice to Shareholders

## NOTICE TO SHAREHOLDERS

PLEASE TAKE NOTICE that the Receiver of Crocus Investment Fund, Deloitte Restructuring Inc. (formerly Deloitte & Touche Inc.), is preparing to make an application to the Court of Queen's Bench in the Province of Manitoba for an order to pay a fourth and **final distribution**, pass its accounts, and seek its discharge. Information regarding the accounts is detailed in Receiver's Report No. 19 which is posted on the Receiver's website [www.deloitte.com/ca/crocusfund](http://www.deloitte.com/ca/crocusfund).

PLEASE TAKE FURTHER NOTICE that, before making the application, the Receiver has been authorized by the Court of Queen's Bench in the Province of Manitoba to ascertain if there are any shareholders wishing to raise an objection to the Receiver's application. Only those shareholders wishing to express opposition or raise objection need respond to this Notice and submit an objection in writing. The Receiver's application does not affect your right as a shareholder to any of the distributions to Class A or I shareholders.

PLEASE TAKE FURTHER NOTICE that any shareholder intending to raise an objection to the Receiver's application must submit the objection in writing to the Receiver no later than **5:00 p.m. (CST) on Friday, February 25, 2022**. Objections should be filed with the Receiver by registered mail, fax, or hand delivery, so that the objection is actually received by **5:00 p.m. (CST) on or before Friday, February 25, 2022** at the following address:

Deloitte Restructuring Inc., as Receiver and Manager of Crocus Investment Fund, 2300 – 360 Main Street, Winnipeg, MB R3C 3Z3, Phone: (204) 942-0051, Facsimile: (204) 947-2689, Attention: Mr. John Fritz.



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