



Financial Advisory

Crocus Investment Fund

Supplement to June 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's 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 provide supplementary information to the Court in advance of the Manitoba Federation of Labour ("MFL") Motion which will be heard on September 5, 2006.

2.0 MFL

A detailed chronology of exchanges between the MFL and the Receiver was included in the June 30, 2006 Quarterly Report as Appendices 2 to 9. Subsequent to the issuance of that report there have been further exchanges which are attached herein as Appendices 1, 2 and 8.

3.0 GrowthWorks

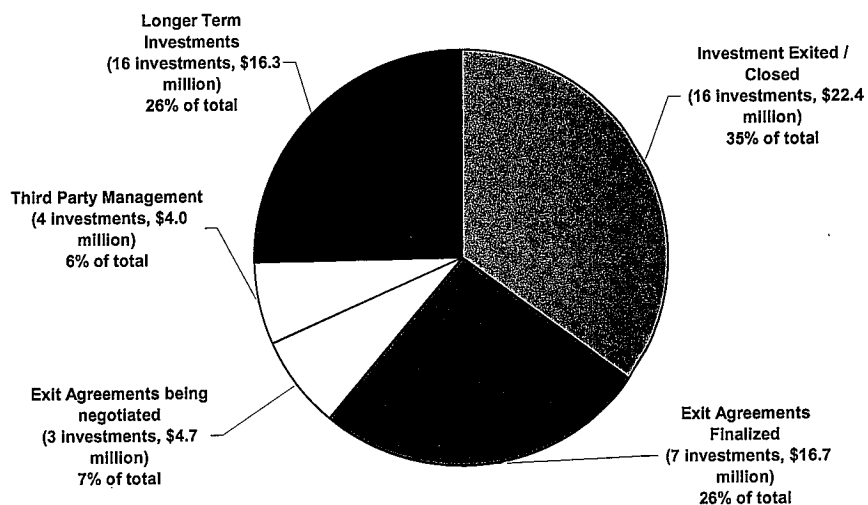
A detailed chronology of exchanges between GrowthWorks and the Receiver was included in the June 30, 2006 Quarterly Report as Appendices 10 to 23.

Subsequent to the issuance of that report there have been further exchanges which are attached herein as Appendices 3 to 7.

4.0 Portfolio

Pursuant to the Orders of the Court, the Receiver continues to negotiate exit mechanisms for the portfolio of investments. The Receiver has previously stated that it anticipates that by the fall of 2006 in excess of 70% of the portfolio will be exited or subject to exit strategies. The Receiver has categorized the current status of the portfolio as at September 1, 2006 as follows:

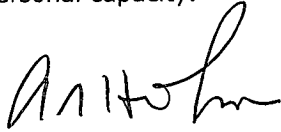
Status of Portfolio (46 Investments, Carrying Value at June 28, 2005 \$64.1 million)



The Receiver will continue to provide updates on the status of the portfolio in its Quarterly Reports.

Respectfully submitted as of the 1st day of September, 2006.

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

A handwritten signature in black ink, appearing to read "A.R. Holmes". The signature is written in a cursive, flowing style.

Per: A.R. Holmes
Senior Vice-President

Appendices

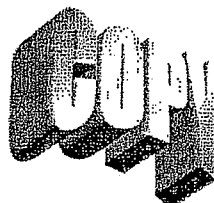
Appendix

1

Via Facsimile

July 14, 2006

Hill Abra Dewar
Barristers and Solicitors
2670 - 360 Main Street
Winnipeg, MB R3C 3Z3



Reply to:
Douglas G. Ward, Q.C.
Direct (204) 956 3534
ward@pitblado.com

File No. 38983.1

Attention: Mr. Dave Hill

Dear Sir:

Re: The Manitoba Securities Commission v. Crocus Investment Fund

One of the reasons why we wished to have an early hearing before Madam Justice McCawley, was to obtain a decision from her, as quickly as possible, as to whether or not the Receiver and Manager should continue selling assets of Crocus Investment Fund without the input of the shareholders. As you know, we are extremely concerned that if the Receiver Manager should sell the "best" assets it might have the effect of causing GrowthWorks to withdraw its offer. If this should happen, then we believe that this would result in serious and permanent prejudice to the shareholders.

On the other hand, Madam Justice McCawley might very well decide to allow the Receiver and Manager to continue selling those assets regardless of the impact it might have on the offer from GrowthWorks. We wanted, and we are sure that you wanted, to have an answer from Madam Justice McCawley as quickly as possible so that you and the Receiver and Manager would know whether or not the Receiver and Manager should continue attempting to sell, piecemeal, the assets of Crocus Investment Fund, as it has been doing.

If the hearing before Madam Justice McCawley, at your request, is to be adjourned, then I trust that the Receiver and Manager will not be using this additional time to continue to sell the assets of the Crocus Investment Fund on a piecemeal basis, so that by the time the hearing arrives in September this whole issue will have become academic.

Yours truly,

PITBLADO LLP

per:

ORIGINAL SIGNED BY
DOUGLAS G. WARD

Douglas G. Ward, Q.C.

DGW/tkh

Appendix 2

HILL ABRA DEWAR

LITIGATION COUNSEL
SUITE 2670 - 360 MAIN STREET
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COUNSEL: THE HONOURABLE PETER S. MORSE, Q.C.

WRITER'S E-MAIL: dhill@hillco.mb.ca
WRITER'S EXTENSION: 222
OUR FILE No. 06120 RAD

July 20, 2006

Pitblado LLP
Barristers and Solicitors
2500 - 360 Main St
Winnipeg MB R3C 4H6

Attention: Mr. Douglas Ward, Q.C.

Dear Sir:

Re: Acquisition of the Assets of Crocus Investment Fund ("the Fund")

I acknowledge receipt of your fax dated July 14, 2006.

The request by the MFL and GrowthWorks to prevent the Receiver / Manager from dealing with the assets in the fashion proposed in his Report No. 5, has already been heard and determined by Madam Justice McCawley back in October of last year.

Accordingly, since that time the Receiver / Manager has been involved in a number of transactions. For information in that regard, you should check the latest Quarterly Report filed with the Court on July 17, 2006, and which can be accessed at <http://www.deloitte.com/ca/crocusfund>.

Accordingly, you should not make any assumptions nor should any of the parties to whom you delivered the letter make any assumptions that the Receiver / Manager will or will not be doing any particular thing. He will, as I said, simply be proceeding in accordance with the Order of Madam Justice McCawley and the procedure that the Receiver / Manager set out in Report No. 5.

Yours truly,

HILL ABRA DEWAR

PER:


DAVE HILL

DGH/tmw

cc: Mr. A.R. Holmes

cc: Mr. Don Douglas

Appendix

3

GROWTHWORKS

July 18, 2006

Crocus Investment Fund
c/o Deloitte Touche Inc.
2300-360 Main Street
Winnipeg, MB R3C 3Z3

Dear Sirs/Mesdames:

Re: Acquisition of the Assets of Crocus Investment Fund

We are in receipt of your email of June 5, 2006 and are aware of discussions between Don Douglas and Doug Finkbeiner this past week. We would like to address both the issues raised in the email and explain our delayed response to that email.

Why the Delayed Response?

Our delayed response to your email was caused because we believed that your latest email showed that you were not serious in negotiating a transaction with GrowthWorks, despite the merits of the offer extended. We hope that we are wrong about our conclusion and await your assurance that we have misinterpreted your intentions and actions.

Since we first notified you in September 2005 that GrowthWorks was interested in purchasing all of the portfolio assets of Crocus, we have had the distinct impression that our several proposals and offers did not fit your predetermined plan to deal with the Crocus assets and that our continued presence and offers were not welcomed by you. We have been puzzled why our offers have been either rejected or ignored, which by any objective measurement in the Canadian venture capital marketplace are very good offers. We normally have very interested vendors who pursue us in concluding a sale of portfolio assets. We have not had the same response from you. The latest email from you likewise seemed to raise roadblocks to a transaction rather than showing any attempt to consider the offer on its merits or deal with the substantive issues addressed in our previous correspondence.

From the discussions Doug Finkbeiner had with your counsel this past week, it appears that we may have misunderstood your views on our offer. We understand that Don Douglas has agreed to our suggestion that we all meet to discuss the GrowthWorks offer prior to his vacation on August 11. We would welcome that opportunity if you do in fact desire such a meeting and a potential portfolio sale to GrowthWorks. We await your confirmation that you do wish to negotiate with us with respect to the offer we presented in May.

Now we will deal with the specific matters raised in your email.

2600-1055 West Georgia Street
Box 11170, Royal Centre, Vancouver, BC V6E 3R5
Main: 604.633.1418 Fax: 604.669.7605
Toll-Free Phone: 1.800.268.8244 Toll-Free Fax: 1.866.688.3431
www.growthworks.ca

Shareholders Meeting

The process of putting the GrowthWorks offer to a shareholder vote is an internal matter of Crocus and the Court. While we cannot see why you would want to restrict the shareholders from exercising rights normally provided to them, this is a matter for Crocus and the Court to settle. We understand that both the Manitoba Federation of Labour and the Crocus Investors Association have applied to the Court for a shareholders meeting and we trust the matter will be properly considered by the relevant parties. As we have stated to you in the past, we are pleased to participate in the process but do not require it as part of our offer.

Valuation of Assets with Transfer Restrictions

While we have not had the opportunity to review the underlying assets, we expect that the portfolio assets have restrictions on transfer that negatively affect the value of those assets for any third party. By seeking the Court order or pursuing the alternate process we suggested in the offer, you can take a positive step to eliminate the negative consequences of that transfer restriction. Obviously if the asset cannot be transferred that will reduce the value of the portfolio and no independent valuator can place a value on an asset that cannot be transferred. However, we want GrowthWorks' Offer to be superior to any competing offer. Therefore, insofar as a valuator deems that the value to Crocus of a sale of shares back to the investee company would be superior to a third party sale, we will accept that higher "redemption" value in that situation for the purposes of calculating the Net Asset Value of Crocus.

Save Harmless Agreement

You mention that you needed to understand the save harmless agreement better. We assume that you have consulted with your counsel and have had your questions addressed adequately. If not, we can ask that counsel for the class action lawsuit explain the agreement and its implications to your counsel.

Your understanding of the save harmless agreement is essential given the potential elimination of any liability to Crocus pertaining to the class action lawsuit and the liability specifically remaining with Crocus if our offer is not adopted. As we stated before, we believe that the elimination of this potential liability alone makes our offer superior to any potential transaction you may suggest occur. We also believe that your fiduciary obligation to the shareholders of Crocus and the Court requires you to place a high value on the elimination of that potential liability.

Proposed Sales of Portfolio Assets

You state that you were surprised to learn that our offer could be jeopardized if you sell substantially all of the assets to various third parties. We think our position is both consistent and obvious. We have stated in the past both in our one meeting with you in Winnipeg and in written correspondence, we are interested in purchasing the entire Crocus portfolio. We recognized that Crocus may have some legal obligations in pre-existing agreements that require some sales, but we had asked for a right of first refusal on any potential sale you were contemplating. You not only did not provide any such assurance, you restated your intention to sell a majority of the portfolio without addressing the serious issues we had raised in our correspondence. We see that any sale of substantially all of the portfolio could seriously affect any offer we could extend and have said that in different ways in our correspondence to you.

We have learned from Mr. Douglas that the extended offer date put in the Offer was interpreted by you and him to mean that we would be content with a sale of the majority of the assets and buying any leftover

assets by that time. That was never the intention of the Offer deadline. We provided an extended Offer date so that you would not be concerned that the Offer for the entire portfolio could be revoked by GrowthWorks prior to the completion of the Court (and perhaps shareholder) process. We hope that this explanation makes it clear that the GrowthWorks Offer is for the entire portfolio and that the sale of major investee companies or substantially all of the portfolio assets could result in the Offer being withdrawn.

If you want to speak with us about our offer we would expect that you would be willing to reconsider your stated position of selling off the portfolio piece meal, or at least hold off any such action until you had a serious discussion with us.

Our Intentions

In your letter you state that your interest in pursuing this transaction depends on our commitment to pursue a definitive agreement. We believe that we have been consistent and effective in showing our commitment to our offer and the process since last September and that such commitment does not need to be questioned. But let us be clear: we have both the ability and the willingness to complete a transaction on the basis set out in our offer of May 23, 2006.

We likewise feel that your commitment needs to be affirmed by you before we spend substantially more time in negotiating a definitive agreement. We look forward to receiving that commitment, including the commitment to consider the sale of the entire portfolio to GrowthWorks rather than piece meal to third parties. We hope that the value of the save harmless agreement to Crocus will make it easier for you to commit to negotiate with us our offer for the entire Crocus portfolio.

Do not hesitate to contact David Levi, CEO of GrowthWorks at 604.895.7253 with respect to any questions or comments arising from this letter.

GROWTHWORKS LTD.

By:  _____
David Levi, CEO

Appendix

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THOMPSON

DORFMAN

SWEATMAN

LLP

BARRISTERS & SOLICITORS

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Keith D. LaBossiere
Karen Jarema Cornejo
Karen L. Clearwater
Elmer J. Gomes
Ross A. McFadyen
Sacha R. Paul
Jennifer E. Ervick

Waller L. Ritchie, Q.C.
G.V. Brickman, Q.C.
E. William Olson, Q.C.
Sergio Pustogorodsky
A. Blair Graham, Q.C.
Robin M. Kersey
B. Douglas Tall
Vivian E. Rachlis
John D. Stefanjuk
Jamie A. Kagan
D. Sean Kells
Silvia V. de Sousa
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Lisa J. Sliver
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Jacqueline D. Hawkins
Robert W. Olson
Drew M. Mitchell

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Donald G. Baizley, Q.C.
Richard H.G. Adams
Paul J. Brett
Janica Y. Lederman
Kenneth S. Maclean
Kathleen C. Murphy
M. Lynne Harrison
Glen W. Agar
Douglas J. Forbes
Jeffrey A. Kowal
Shane I. Perlmutter
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Michael A. Choiselat
Dinh N. Bo-Maguire
Andrew L. Thompson
Lynda K. Troup

Bruce S. Thompson
Chrys Pappas, Q.C.
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D.A. Thompson, Q.C., LL.D. (1963-1992)

Irvin Dorfman, Q.C. LL.D. (1966-1993)

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dgd@tdslaw.com
(204) 934-0566

July 24, 2006

Taylor McCaffrey LLP
Barristers & Solicitors
9th Floor
400 St. Mary Avenue
Winnipeg MB R3C 4K5

Attention: Douglas E. Finkbeiner, Q.C.

Dear Sir:

Re: Crocus Investment Fund ("Crocus")
Deloitte & Touche Inc. (the "Receiver")
GrowthWorks Ltd.
Our Matter No. 0080311 DGD

On behalf of the Receiver, we acknowledge receipt of GrowthWorks Ltd.'s letter of July 18th. In the Receiver's opinion, that letter did not satisfactorily address the concerns and issues outlined most recently in the Receiver's e-mail transmission of June 6th, but also referred to in prior correspondence among clients and counsel.

As you will know if you have had the opportunity to review the Receiver's March 31st and June 30th Quarterly Reports to the Court, the Receiver has been proceeding with the orderly liquidation of the Crocus portfolio in accordance with the Court Order approving its plan that was made last fall. The Reports both made note of the Receiver's expectation that, by this fall, in excess of 70% of the value of the Crocus portfolio will have been liquidated or made subject to agreements that will ultimately have that effect. The Receiver is satisfied with the progress that has been made to date and, in light of that progress, is of the view that, for the time being, it is in the interests of the stakeholders in Crocus for the Receiver not to attempt to sell the remaining assets on an *en bloc* basis.

THOMPSON

DORFMAN

SWEATMAN

LLP

BARRISTERS & SOLICITORS

- 2 -

While there is no doubt that settlement of the action commenced against Crocus under *The Class Proceedings Act* (the "Class Action") on a reasonable basis is desirable, the Receiver is not presently in a position to determine the reasonableness of any proposal that might be forthcoming. For example, pending its having had the opportunity to make at least a preliminary assessment of Crocus's exposure, the Receiver is in no position to comment on the proposed payment of \$1 million that is contemplated in the Memorandum of Understanding that GrowthWorks Ltd. entered into with the Class Action plaintiff. Receiver's Report No. 9 lays out the Receiver's intended course of action in that regard.

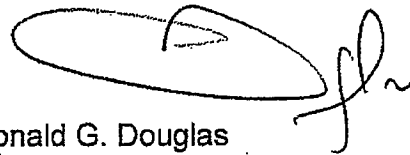
It may be that, at sometime in the future, a sale of the Crocus portfolio *en bloc* will be desirable and, in that event, the Receiver will contact GrowthWorks Ltd. In the current circumstances, the Receiver does not believe that a meeting at this time would be of any benefit.

Yours truly,

THOMPSON DORFMAN SWEATMAN LLP

Per:

Donald G. Douglas



DGD/dgd

Appendix

5

GROWTHWORKS

August 9, 2006

Crocus Investment Fund
c/o Deloitte Touche Inc.
2300-360 Main Street
Winnipeg, MB R3C 3Z3

Dear Sirs/Mesdames:

Re: Acquisition of the Assets of Crocus Investment Fund

We are writing to you in your capacity as Receiver-Manager of the Crocus Investment Fund ("Crocus") and our capacity as manager of GrowthWorks Canadian Fund Ltd. (the "Canadian Fund"). On May 23, 2006 we wrote to you providing an offer to acquire all the assets of Crocus. You have now indicated in direct and indirect correspondence that you intend to sell up to 70% of the assets of Crocus in the near future despite our request for a transaction involving all of the Crocus assets. As a result, we are now amending the previous offer to address your stated intended course of action. Therefore we are now extending a formal amendment (the "Amendment") to the May 23, 2006 offer (the "Offer") on behalf of the Canadian Fund for your consideration and response. All terms of the Offer remain the same except as explicitly set out in this Amendment.

We propose an Amendment to the Offer that provides both you and the shareholders of Crocus with the knowledge that the assets of Crocus are being sold for the best price, whether the sale is to the Canadian Fund or to other third parties. As well, the Amendment will address your concern about the confidentiality of the investee company information being disclosed to third parties during any valuation process which would be necessary for you to ensure that you are receiving a fair value for the portfolio assets being sold.

The Amendment principally relates to the timing and effect of the independent valuation of Crocus assets proposed by us in the Offer. Under the Offer, we had proposed that the Canadian Fund would pay for the Crocus assets in Canadian Fund shares at a value equal to the value an independent valuation of the Net Asset Value of the Crocus assets based on the guidelines consistent with the Canadian Venture Capital Association occur at the same time of an independent valuation of the Canadian Fund. Under the Amendment, we would still propose an independent valuation of Crocus assets not legally bound to be sold as of the date of this Amendment to determine their individual Net Asset Value using the guidelines previously mentioned in the Offer.

However, under the Amendment we propose that you immediately retain a mutually acceptable independent valuator (KPMG or other similar entity) to provide the Net Asset Value calculation within the next few weeks. We would pay for the valuator's services. The valuator would be retained by you and would not provide the Canadian Fund or any other party other than Crocus with confidential information that could not otherwise be released. The valuator's report would constitute the due diligence review of the confidential information relating to the investee companies. The Canadian Fund would agree to be bound by the valuation price determined by the independent valuator.

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Box 11170, Royal Centre, Vancouver, BC V6E 3R5
Main: 604.633.1418 Fax: 604.669.7605
Toll-Free Phone: 1.800.268.8244 Toll-Free Fax: 1.866.688.3431
www.growthworks.ca

If you on behalf of Crocus are intending to sell an investee company portfolio asset to a third party or the investee company itself prior to the completion of the Merger Transaction, the valuation price determined by the independent valuator in the next few weeks would represent the price the Canadian Fund would be obliged to pay for the investee company portfolio asset. This price could be readily compared to any other offer you have received from another party. If any other offer proposed to be paid by either the investee company or a third party is equal to or less than the independent valuator calculation, then Crocus would be obliged to include that asset in the sale to the Canadian Fund, subject to the right of first refusal of that investee company, if applicable. If the Canadian Fund price is less than the other offers, then you would need to alert us to this fact to allow us to elect whether to pay the higher amount or allow the asset to be sold to the third party or investee company. If we elect to pay the higher amount, the right of first refusal of the investee company, if applicable, would still apply. Accordingly, it will not be necessary for you to seek an order of the Court acknowledging that the Merger Transaction would not trigger rights of first refusal or other sale rights contained in agreements between Crocus and the investee companies, and paragraph 2 and 5(b) of our letter of May 23, 2006 are amended accordingly.

If you would prefer to have a subsequent valuation of the Crocus portfolio assets performed at the time of closing the transaction with the Canadian Fund to take into account of adjustments to the aggregate Net Asset Value of the portfolio assets for sale, we would agree to such a subsequent valuation adjustment. In any event, a valuation of the Canadian Fund assets would occur close to the Merger Transaction to ensure the Net Asset Value for the Canadian Fund shares to be issued would be properly valued at closing.

The benefit of an immediate valuation for Crocus is quite simple: you will know now and not just at closing whether the value of the Canadian Fund Offer was as good as or better than any competing offer. You will have a price by which to compare any present offer from an investee company or third party and ensure the assets sold receive the highest price. If there are any rights of first refusal set out in contractual arrangements with investee companies, the Canadian Fund price will set the price by which such a right of first refusal can be activated. You will be able to discharge your fiduciary duty to ensure the highest price is received for the Crocus assets.

For all of these reasons we see this Amendment as improving for you the Offer. As stated in previous correspondence we are confident if we are given the chance to compete with other bidders for the Crocus assets, we will exceed the overall value Crocus shareholders will receive from selling the assets piecemeal. It is that confidence that has led us to agree to pay for the valuation now regardless of the outcome of any particular sale and to allow you the opportunity to sell the assets to potential superior offers without affecting the rest of our Offer.

Incidentally, as you had previously requested information regarding the status of GrowthWorks with the Manitoba Securities Commission, we are pleased to inform you that the manager of the Canadian Fund is now registered in Manitoba as a portfolio manager. Thus you should have no concerns about the Canadian Fund providing ongoing service to shareholders of Crocus.

In order to accelerate the valuation process we set out in this Amendment, we require that you advise us at

your earliest convenience of your acceptance or rejection of the Offer as amended by this Amendment, and in any event by not later than August 18, 2006.

If you have any questions or comments about this Offer, do not hesitate to contact David Levi, CEO of GrowthWorks at 604.895.7253.

GROWTHWORKS LTD.

By: 

David Levi, CEO

The Offer and Amendment agreed to and accepted this _____ day of August, 2006 by CROCUS INVESTMENT FUND, by its receiver and manager DELOITTE & TOUCHE INC.

By: _____
Authorized Signatory

Appendix 6

THOMPSON
DORFMAN
SWEATMAN
LLP
BARRISTERS & SOLICITORS

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August 18, 2006

Via e-mail

Taylor McCaffrey LLP
Barristers & Solicitors
9th Floor, 400 St. Mary Avenue
Winnipeg MB R3C 4K5

Attention: Douglas E. Finkbeiner, Q.C.

Dear Sir:

Re: Crocus Investment Fund ("Crocus")
Deloitte & Touche Inc. (the "Receiver")
GrowthWorks Ltd.
Our Matter No. 0080311 DGD/PMS

On behalf of the Receiver, we acknowledge receipt of GrowthWorks Ltd.'s letter of August 9, 2006. We are instructed by the Receiver to advise you as follows:

1. The Receiver is satisfied that it is receiving full value for investments that are being sold following the Court approved Plan;
2. The Receiver is not prepared to have a Third Party determine the price at which Crocus' assets are to be sold. The Receiver is satisfied that it is in the best position to determine the value of those assets and accordingly the price at which they are to be sold;
3. The Receiver intends to go forward with the Plan approved by the Court for the disposition of Crocus' assets. As stated in our letter to you of July 24, 2006, it may be that at some time in the future a sale of the remaining Crocus portfolio will be desirable and the Receiver will contact GrowthWorks Ltd. at that time. In the meanwhile, the Receiver will be happy to discuss with your client the acquisition

THOMPSON

DORFMAN

SWEATMAN

LLP

BARRISTERS & SOLICITORS

- 2 -

by GrowthWorks Ltd. for cash of Crocus' remaining investments in any investee company or companies.

Yours truly,

THOMPSON DORFMAN SWEATMAN LLP

Per:



P. Michael Sinclair

PMS/sc

Appendix

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GROWTHWORKS

August 22, 2006

Crocus Investment Fund
c/o Deloitte Touche Inc.
2300-360 Main Street
Winnipeg, MB R3C 3Z3

Dear Sirs/Mesdames:

Re: Acquisition of the Assets of Crocus Investment Fund

We are in receipt of a letter dated August 18, 2006 from your legal counsel addressed to our Manitoba legal counsel. We are surprised and saddened at your counsel's response. We would like to address each of the three statements made by your counsel in the order presented in its letter:

1. Your counsel states that you are satisfied that you are receiving full value for the investments to be sold. That statement gives rise to many questions that we, having participated in several mergers of LSVCCs in the past few years, would like to have answered by you. How can you make such a statement without any independent market analysis or offer to which you can compare the proposed sale price? How have you valued the "save harmless" agreement we had reached with the class action representatives which is available solely through the acceptance of our Amended Offer? How can you satisfy the fiduciary requirements of seeking out the highest value when you refuse to deal with us? How do you address concerns that your firm may have present or future commercial relationships with the investee companies which would give rise to a conflict of interest in your present negotiations and potential liability to your firm?
2. Your counsel states that you will not agree to have a third party determine the price at which Crocus assets will be sold. To ensure you understand the Amended Offer we reiterate that (i) the third party would be independent of GrowthWorks and using industry-standard valuation principles, and (ii) if the value you had obtained from present negotiations with an investee company exceeded the independent third party's valuation, you could accept the higher value without affecting the Amended Offer. We are not stating that the independent third party would mandate the price, just provide you a price with which you could compare offers and, *only if it equaled or exceeded any existing offer*, would you be required to sell the Crocus assets to the Canadian Fund.
3. The "save harmless" agreement, whereby any present Crocus class action direct or indirect liability would be eliminated, was provided by the class action representatives solely if our Amended Offer was accepted and completed. Our Amended Offer does not contemplate some future purchase for cash of a small portion of the Crocus assets that could not be sold to other purchasers. Therefore, by rejecting our Amended Offer you are endangering the potential elimination of Crocus liability from the class action. As we stated previously to you, your fiduciary obligation to the shareholders of Crocus and the Court requires you to place a high value on the elimination of that potential liability. The "save harmless" agreement does not permit you

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www.growthworks.ca


to negotiate a similar deal with the Class Action lawsuit, contrary to the suggestion made in your counsel's previous letter.

In short, we are surprised that you would be willing to reject our Amended Offer, which in every circumstance will offer Crocus either the highest value for the Crocus assets or allow you to sell to any other party that made a superior offer. We are astonished you would reject the Amended Offer when such rejection endangers the elimination of the Class Action direct and indirect liability to Crocus and exposes your firm to potential liability.

Given your response, we will be notifying counsel to the class action lawsuit to inform him of your rejection of the Amended Offer.

GROWTHWORKS LTD.

By: _____


David Levi, CEO

Appendix

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Via Email

August 29, 2006

Pitblado LLP
Barristers & Solicitors
2500 - 360 Main Street
Winnipeg, MB R3C 4H6

Attention: Donald Primeau

Levene Tadman Gutkin Golub LLP
Barristers & Solicitors
700 - 330 St. Mary Avenue
Winnipeg, MB R3C 3Z5

Attention: Martin G. Tadman

Thompson Dorfman Sweatman LLP
Barristers and Solicitors
2200 - 201 Portage Avenue
Winnipeg, MB R3B 3L3

Attention: Donald Douglas

Hill Abra Dewar
Barristers & Solicitors
2670 - 360 Main Street
Winnipeg, MB R3C 3Z3

Attention: Dave Hill

D'Arcy & Deacon LLP
Barristers & Solicitors
1200 - 330 St. Mary Avenue
Winnipeg, MB R3C 4E1

Attention: Kenneth A. Filkow, Q.C.

Manitoba Securities Commission
1130 - 405 Broadway Avenue
Winnipeg, MB R3C 3L6

Attention: Chris Besko

McJannet Rich
Barristers and Solicitors
1700 - 330 Portage Avenue
Winnipeg, MB R3C 0C4

Attention: Jack T. McJannet, Q.C.

Taylor McCaffrey
Barristers & Solicitors
9th Floor - 400 St. Mary Avenue
Winnipeg, MB R3C 4K5

Attention: Doug Finkbeiner, Q.C.

Dear Sirs:

Re: Crocus Investment Fund

Enclosed herewith please find a Supplemental Affidavit to be sworn by David Levi hopefully on Tuesday, August 29, 2006 and hopefully to be filed in the Court of Queen's Bench on Wednesday, August 30, 2006. When the Affidavit of Mr. Levi has been sworn and filed, I will be delivering to you a true copy thereof. In the meantime, I am taking the liberty of sending to you an unsworn copy thereof.

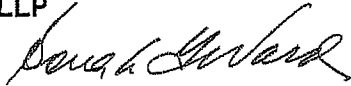
Further, I have been advised by Mr. Jack T. McJannet, Q.C. that when he agreed to become the solicitor for Crocus Investment Association, he was, naturally, concerned about the payment of his fees and disbursements. At that time, he was advised by representatives of Growthworks that at the end of the day, if there was any shortfall in the payment of his fees and disbursements, they would pay that shortfall. There was nothing in writing concerning this informal understanding and Mr. McJannet has assured me that Growthworks has never paid him any fees or any disbursements at any time. Mr. McJannet is concerned that this understanding might be viewed as a conflict of interest; however, it was never intended that Mr. McJannet's opinions would be, somehow or other, influenced by this understanding. Under these circumstances, I have come to the conclusion that this understanding will not prevent Mr. McJannet from acting as "amicus curia".

Would you please advise, as quickly as possible, whether or not you are in agreement or disagreement with the conclusion that I have reached.

Yours very truly,

PITBLADO LLP

per:



Douglas G. Ward

DGW/tkh

Enclosure

Cc Manitoba Federation of Labour
Attention: Darlene Dziewit
Attention: Bob Dewar