

December 13, 2006

## To the Shareholders of Crocus Investment Fund

Dear Sir/Madam:

As you are aware, pursuant to an Order of the Manitoba Court of Queen's Bench, Deloitte & Touche Inc. (the "Receiver" or "Deloitte") was appointed Receiver and Manager of Crocus Investment Fund ("Crocus" or the "Fund") effective June 28, 2005. The purpose of this letter is to provide shareholders with a brief update regarding the current status of the Fund. More detailed information, including copies of the Receiver's Reports and Court Orders, can be obtained at the Receiver's website at [www.deloitte.com/ca/crocusfund](http://www.deloitte.com/ca/crocusfund).

### Sale of the Portfolio of Investments

The primary function of the Receiver is to protect, preserve and realize on the assets of the Fund in an orderly way. While numerous complex legal and operational issues have arisen, the Receiver has sold or otherwise wound up the interest of Crocus in 17 of the 46 investments and will continue to negotiate exit strategies for the remainder. As a result, the cash position of the Fund has increased from approximately \$23 million at June 2005 to a current level of approximately \$50 million. The proceeds from the sale of the investments, net of costs, are being held in trust by the Receiver pending further Order of the Court (refer "Status of Shares" section below). The Receiver is maintaining a conservative investment policy for these funds which consists of investing in government bonds, GIC's and Bankers Acceptances.

The Receiver continues to monitor and/or discuss exit mechanisms with the remaining investee companies. In addition, certain of the investees are themselves subject to receivership and/or other litigation proceedings.

### Manitoba Federation of Labour, Crocus Investors Association ("CIA") and GrowthWorks

In the fall of 2005, the Manitoba Federation of Labour ("MFL") advanced a proposal by GrowthWorks Ltd. ("GrowthWorks") as an alternative to the original operating plan for the Crocus receivership that had been outlined by the Receiver. The Court considered both submissions and, in a decision delivered on October 27, 2005, rejected the GrowthWorks proposal and accepted the Receiver's plan. Subsequently, GrowthWorks submitted a conditional offer to purchase the Crocus assets to the Receiver which was not considered acceptable and, accordingly, was rejected. In March 2006, GrowthWorks delivered another letter to Deloitte wherein it proposed to acquire all of the assets of Crocus under the terms of a definitive agreement to be negotiated between the parties. Numerous exchanges took place between GrowthWorks and the Receiver regarding issues arising from this proposal as well as the process which would be followed to complete the transaction. The Receiver provided guidance as to the terms under which it would be interested in pursuing discussions to determine if a definitive agreement was possible. In the Receiver's opinion, after reviewing all of the exchanges, there remained significant uncertainty regarding the GrowthWorks proposal.

In April 2006, the MFL and Crocus Investors Association ("CIA") formally requested a list of Crocus shareholders and requested that the Receiver call a meeting of shareholders to "...consider and, if deemed acceptable, to pass a special resolution approving the sale of all or substantially all of the assets of Crocus to GrowthWorks Canadian Fund Ltd...." The Receiver denied the request on the basis that it did not believe that such a meeting would have been in the best interests of the shareholders and, while it is in a fiduciary relationship with the Crocus stakeholders, it takes its direction from the Manitoba Court of Queen's Bench.

The Receiver also advised the MFL and CIA of its position regarding the GrowthWorks proposal and indicated that submission of the current proposal by GrowthWorks to the shareholders would serve no good purpose in light of the level of uncertainty and incompleteness relating to the discussions with GrowthWorks.

The MFL subsequently filed a motion in Court requesting various relief, which included the requirement for the Receiver to call a shareholders meeting or, alternatively, provide a list of the shareholders to the MFL and/or the CIA. The Motion was heard on September 5, 2006. On November 30, 2006, the Court issued a judgment which dismissed the motion of the MFL in its entirety.

Further details and copies of all correspondence amongst the parties are more fully detailed in the June 30, 2006 Quarterly Report and supplement. These reports as well as the Court judgment are posted on the Deloitte website.

### **Class Action Proceedings**

In July 2005, a lawsuit was initiated against Crocus Investment Fund and various other parties including former Officers and Directors of Crocus, Crocus's lead broker and auditors, and the Manitoba Securities Commission. Originally, this suit was filed on behalf of a limited number of Class A shareholders. In June 2006, the proposed class of plaintiffs was expanded to include all Class A shareholders. Subsequent to the original filing, a further lawsuit dealing with Crocus was filed against the Province of Manitoba. Neither Crocus nor the Receiver is named as a defendant in this most recent proceeding.

While it is the stated intention of the plaintiff in these actions to have them proceed as class actions, before that can occur, the actions must be certified as class proceedings by the Court, which has not yet occurred.

### **Indemnification**

In January 2006, the Court ruled that Crocus is responsible for paying the ongoing legal costs of the various Officers and Directors named in the Class Action as well as those parties named in the regulatory proceeding brought by the Manitoba Securities Commission ("MSC"). This ruling has been appealed to the Court of Appeal by the plaintiff in the Class Action and a hearing date for the appeal has been set for November 30, 2006. Pending the decision of the Court of Appeal, the Receiver will hold payment of the outstanding accounts in abeyance. To the extent these legal costs are not covered by insurance, any payment will reduce any distribution which may ultimately be available to Crocus's shareholders.

Crocus had maintained insurance coverage for Officers and Directors to cover claims which may be filed; the coverage is limited to \$5.0 million with a \$100,000 deductible. Presently, the insurer has denied coverage for those legal costs related to the MSC investigation as well as the investigation of the Office of the Auditor General ("OAG"). The Receiver filed a statement of claim against the insurer asking the Court to declare that the legal costs associated with the MSC and OAG proceedings are covered by the policy of insurance.

### **Status of Shares**

Previously, the Receiver had come to the view that it would like to return a portion of the capital to the shareholders of Crocus. Accordingly, in December 2005, the Receiver issued Receiver's Report #6 which requested that the Court authorize an initial interim distribution to shareholders as well as additional distributions as cash became available. The Court heard the matter and on April 7, 2006 ruled that the Receiver should not make any distribution of funds until such time as the liabilities for which Crocus may be responsible are better determined.

As a result of the ruling, for the present, the Receiver is unable to distribute any funds.

### **Share Value**

While share redemptions and distributions are currently prohibited, the Receiver continues to calculate and publish an estimate of the net asset value per share (NAVPS) in its quarterly reports. The most recent estimate of the share value as at September 30, 2006 was \$6.13. This value is an accounting book value based on the cash (and equivalents) presently held by the Receiver as well as the June 28, 2005 carrying value for the Crocus investments that have not been realized upon. The Receiver cautions all shareholders that numerous future events will determine the ultimate realizable value of the portfolio. These events include amounts that Crocus may be required to pay to settle known and contingent liabilities, including payment under various indemnities which it had issued. The Receiver believes that the claims against Crocus may be significant in light of the current investigations and Class Action against the Fund.

### **Records Review**

The Receiver has commenced an investigative review of the records of Crocus, primarily as they relate to investments made by Crocus that proved to be unsuccessful. The intent of the review is for the Receiver to obtain and understand the history of these investments and to assess the possible validity of the allegations made in various reports and hearings as well as in the Class Action litigation. The Receiver believes that the review may accelerate final resolution of these proceedings and minimize the costs of all parties. The review was commenced in September 2006 and the Receiver anticipates that it will be completed in March 2007.

### **Shareholder Services**

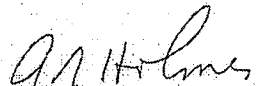
The Receiver has maintained a shareholder services department. Should you have specific questions regarding your Crocus account or have a change of address, please contact shareholder services at (204) 925-7788 or 1-866-893-8710.

### **Further Information**

Further information and updates will continue to be posted on the Deloitte website at [www.deloitte.com/ca/crocusfund](http://www.deloitte.com/ca/crocusfund). The Receiver will endeavor to keep all shareholders apprised of the progress of the receivership and we would encourage you to check our website for updates on a regular basis.

Yours truly,

**Deloitte & Touche Inc.,**  
in its capacity as Receiver/Manager  
of Crocus Investment Fund and not  
in its personal capacity.



Per: A. R. Holmes  
Senior Vice President