

THE SECURITIES ACT)	Order No. 6414
)	
Section 19(5))	October 25, 2011

Charles Curtis, Peter Olfert, Waldron (Wally) Fox-Decent, Lea Baturin, Albert Beal, Diane Beresford, Sylvia Farley and Robert Hilliard

WHEREAS:

- (A) On April 4, 2005, The Manitoba Securities Commission ("Commission") issued a Notice of Hearing ("NOH") and Statement of Allegations ("SOA") giving notice of its intention to hold a hearing ("Proceedings") to consider whether it was in the public interest to grant orders under *The Securities Act* ("Act") with respect to Charles Curtis, Peter Olfert, Waldron (Wally) Fox-Decent, Lea Baturin, Albert Beal, Diane Beresford, Sylvia Farley and Robert Hilliard (the "Respondent Board Members");
- (B) On September 30, 2005 the Respondent Board Members filed their motion to the Commission to stay proceedings on the premise of an apprehension of bias in that the Commission and the Respondent Board Members were co-defendants in a Class Action initiated by the shareholders of CROCUS.
- (C) On October 6, 2005 the Commission heard the motion of the Respondent Board Members. On October 11, 2005 the Commission gave oral reasons dismissing the Respondent Board Members motion to stay (the "Stay Decision").
- (D) The Commission subsequently adjourned the proceedings scheduled to commence October 24, 2005 to May 1, 2006 through May 19, 2006 to provide the Respondent Board Members an opportunity to apply for leave to appeal the Stay Decision. The adjournment was on the following conditions:
 - Each of the Respondent Board Members would provide their undertaking to the Commission that:
 - i. he or she resign officer and directorships in any public issuer;
 - ii. he or she not accept any officer or director positions in any issuer;
 - iii. he or she not trade any securities of any issuer excepting trades made on personal accounts

and that the undertakings shall continue until either the conclusion of the proceedings before the Commission or at an earlier date on order of the Commission or a court of competent jurisdiction.

- (E) The Court of Appeal subsequently stayed the Commission proceedings in its written decision on November 17, 2006, granting the stay on the same terms and conditions as previously imposed by the Commission.
- (F) Staff of the Commission and the Respondent Board Members entered into a Settlement Agreement (a copy of which is attached as Schedule "A") dated October 7, 2011 ("Settlement Agreement"), which proposed settlement of the Proceedings, subject to the approval of the Commission;
- (G) The Respondent Board Members have consented to the issuance of this Order and have waived their rights to a full hearing;
- (H) On October 14, 2011, the Commission held a hearing ("Settlement Hearing") to consider whether or not to approve the Settlement Agreement;

The Commission is of the opinion that it is in the public interest to make this order.

IT IS ORDERED:

1. **THAT** the Settlement Agreement, Schedule "A", be and the same is hereby approved.
2. **THAT** Lea Baturin, Diane Beresford, Charles Curtis, Peter Olfert, Waldron (Wally) Fox-Decent, Albert Beal, Sylvia Farley and Robert Hilliard undertake to the Commission that they will not act as a director or officer of a public company or of any issuer which is not a private issuer for a period of 1 year from the date of the approval of this Settlement Agreement by the Commission;
3. **THAT** pursuant to subsection 19(5) of the Act:
 - (a) subsection 19(1) of the Act, with respect to such of the trades referred to in that subsection, does not apply to Lea Baturin, Diane Beresford, Charles Curtis, Peter Olfert, Waldron (Wally) Fox-Decent, Albert Beal, Sylvia Farley and Robert Hilliard, and
 - (b) subsection 19(2) of the Act, with respect to such securities referred to in that subsection, does not apply to Lea Baturin, Diane Beresford, Charles Curtis, Peter Olfert, Waldron

(Wally) Fox-Decent, Albert Beal, Sylvia Farley and Robert Hilliard,

except for trades made on their own account though a registrant, for a period of one (1) year from the date of this order.

BY ORDER OF THE COMMISSION


Director

SCHEDULE "A"

Settlement Agreement

**Charles Curtis, Peter Olfert, Waldron (Wally) Fox-Decent, Lea Baturin, Albert Beal,
Diane Beresford, Sylvia Farley and Robert Hilliard**

and

The Staff of The Manitoba Securities Commission

**The Manitoba Securities Commission
500-400 St Mary Avenue
Winnipeg, Manitoba
R3C 4K5**

SETTLEMENT AGREEMENT

A. Introduction

1. By way of a Notice of Hearing and a Statement of Allegations both issued April 4, 2005 (collectively the "Notice of Hearing") against Charles Curtis, Peter Olfert, Waldron (Wally) Fox-Decent, Lea Baturin, Albert Beal, Ron Waugh, Diane Beresford, Sylvia Farley, Robert Hilliard, Robert Ziegler (the "Respondent Board Members") and The Crocus Investment Fund ("CROCUS"). The Manitoba Securities Commission ("Commission") gave notice of its intention to hold a hearing to consider under The Securities Act, R.S.M. 1988, c. S50 ("Act"):
 - a) Whether or not it is in the public interest to order, pursuant to subsection 19(5) of the Act that subsections 19(1) and 19(3) of the Act do not apply to CROCUS with respect to such of the trades referred to in those sections and that subsection 19(2) of the Act does not apply to CROCUS with respect to such of the securities referred to in that section;
 - b) Whether or not it is in the public interest to order, pursuant to subsection 19(5) of the Act that subsections 19(1) and 19(3) of the Act do not apply to Respondent Board Members with respect to such of the trades referred to in those sections and that subsection 19(2) of the Act does not apply to Respondent Board Members with respect to such of the securities referred to in that section;
 - c) Whether or not it is in the public interest to order that CROCUS pay an administrative penalty pursuant to section 148.1 of the Act;
 - d) Whether or not it is in the public interest to order that the Respondent Board Members pay an administrative penalty pursuant to section 148.1 of the Act;
 - e) Whether or not it is in the public interest to order that CROCUS pay costs of and incidental to the Hearing;
 - f) Whether or not it is in the public interest to order that Respondent Board Members pay costs of and incidental to the Hearing; and
 - g) Whether or not it is in the public interest to make any other order or orders.
2. On April 4, 2005, staff of The Manitoba Securities Commission ("Commission") commenced proceedings by way of a Notice of Hearing and Statement of Allegations, both dated April 4, 2005. The Allegations deal specifically with activities that occurred in the period from January to December 2004.
3. On May 16, 2005, a first appearance was made before the Commission Panel at which time the matter was adjourned to May 27, 2005.
4. On May 27, 2005, after hearing submissions, the Panel set hearing dates of October 24 to November 10, 2005 to hear the matter on the merits, set June 29, 2005 as the date to hear a motion on media access to the hearings, and July 14, 2005 as a date on which to hear preliminary motions, if any.
5. The Commission heard the motion for media access on June 29, 2005 and gave its decision by written reasons dated August 18, 2005.

6. The Commission adjourned the date to hear preliminary motions from July 14, 2005 to August 31, 2005 and then from August 2005 *sine die*.
7. On September 30, 2005 the Respondent Board Members filed their motion to the Commission to stay proceedings on the premise of an apprehension of bias in that the Commission and the Respondent Board Members were co-defendants in a Class Action initiated by the shareholders of CROCUS.
8. On October 6, 2005 the Commission heard the motion of the Respondent Board Members.
9. On October 11, 2005 the Commission gave oral reasons dismissing the Respondent Board Members motion to stay (the "Stay Decision"). The Commission subsequently adjourned the proceedings scheduled to commence October 24, 2005 to May 1, 2006 through May 19, 2006 to provide the Respondent Board Members an opportunity to apply for leave to appeal the Stay Decision. The adjournment was on the following conditions:
 - Each of the Respondent Board Members would provide their undertaking to the Commission that:
 - i. he or she resign officer and directorships in any public issuer;
 - ii. he or she not accept any officer or director positions in any issuer;
 - iii. he or she not trade any securities of any issuer excepting trades made on personal accounts
 - and that the undertakings shall continue until either the conclusion of the proceedings before the Commission or at an earlier date on order of the Commission or a court of competent jurisdiction.
10. The leave to appeal application was heard on December 19th, 2005, at which time the Honourable Mr. Justice Monnin of the Manitoba Court of Appeal reserved his decision. Leave to appeal was granted to the Appellants on January 10, 2006.
11. The appeal was heard by a panel of the Manitoba Court of Appeal on October 17, 2006 at which time the court reserved its decision. The court released its written decision on November 17, 2006 granting the stay on the same terms and conditions as previously imposed by the Commission.
12. The stay was to continue until such time as the Board and the Commission were no longer co-defendants in the class action, neutralizing any apprehension of bias.
13. The class action as against the Commission was dismissed December 29, 2008.
14. The class action against the Respondent Board Members and other Board members identified as Defendants was dismissed April 22, 2009.
15. The Respondent Board Members have complied with the terms of the adjournment and the subsequent stay orders, and have not otherwise been subject to any other proceedings under the Act.

Settlement Discussions

16. Discussions have been held between counsel for the Respondent Board Members and Staff in an effort to settle all issues in connection with the Notice of Hearing (the "Proceedings"). A settlement of this matter has been reached based on the terms and conditions set forth in this agreement (the "Settlement Agreement").
17. Pursuant to the settlement, Staff agrees to recommend to the Commission that the proceedings be resolved and disposed of in accordance with the terms and conditions of this Settlement Agreement as set forth below. The Respondent Board Members consent to the settlement and to the making of the Consent Order referred to in Part F. below, on the terms and conditions set forth in this Settlement Agreement.

B. Statement of Facts

The Crocus Investment Fund

1. CROCUS is a labour-sponsored venture capital corporation created by *The Crocus Investment Fund Act*, C.C.S.M. c. C308 (the "Crocus Act").
2. CROCUS has been a reporting issuer in Manitoba since 1992. During the relevant time to the proceedings and Settlement Agreement, CROCUS was engaged in a continuous offering of its Class A Common Shares under a Prospectus dated January 21, 2004 for which a receipt was issued by the Director (the "Crocus Prospectus"), as amended by Amendment No. 1 dated October 14, 2004 for which a receipt was issued by the Director (the "Prospectus Amendment").
3. The Crocus Prospectus contains a certificate which is signed by two officers of CROCUS and by two designated members of the Board of Directors on behalf of all the Board of Directors, that the prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by the prospectus as required by Part VII of *The Securities Act* (Manitoba) and the regulations thereunder and does not contain any misrepresentations.
4. The Prospectus Amendment contains a certificate which is signed by two officers of CROCUS and by two members of the Board of Directors on behalf of all the Board of Directors. The certificate certifies that the prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by the prospectus as required by Part VII of *The Securities Act* (Manitoba) and the regulations thereunder and does not contain any misrepresentations.
5. All capitalized terms which are not defined in this document have the same meaning as in the Crocus Prospectus and the Prospectus Amendment.

The Board of Directors

6. During the material times, the Crocus Board of Directors consisted of:

Name	Elected/Appointed by
*Charles Curtis	Common Shareholders
*Peter Olfert	Class L Shareholders
*Waldron (Wally) Fox-Decent	Class I (Series Two) Shareholders
*Lea Baturin	Class L Shareholders

*Albert Beal	Class L Shareholders
Ron Waugh	Class G Shareholders
*Diane Beresford	Class L Shareholders
*Sylvia Farley	Class L Shareholders
*Robert Hilliard	Class L Shareholders
Robert Ziegler	Class L Shareholders
David Friesen	Common Shareholders
Paul Soubry Jr.	Appointed by Board of Directors
John Clarkson	Class G Shareholders

* Respondent Board Members party to this Settlement Agreement

7. Of the Board of Directors listed above:
- (a) Ron Waugh replaced John Clarkson (who resigned in May 2004) as the government representative effective September 10, 2004;
 - (b) Sylvia Farley joined the Crocus Board on October 12, 2004;
 - (c) Robert Ziegler joined the Crocus Board on October 12, 2004;
 - (d) Robert Hilliard resigned from the Crocus Board on September 23, 2004;
 - (e) Waldron (Wally) Fox-Decent resigned from the Crocus Board on December 9, 2004;
 - (f) David Friesen resigned from the Board on November 19, 2004;
 - (g) Paul Soubry Jr. joined the Crocus Board on September 23, 2004 and resigned from the Board on December 14, 2004.
8. CROCUS offered Class A Common Shares (the "A Shares") to the public during 2004 under the CROCUS Prospectus.
9. The subscription process for A Shares were described in the Crocus Prospectus.
10. The assets of CROCUS were largely comprised of investments in publically traded companies ("Publicos") and other companies whose securities were not listed and traded on public markets ("Privatecos").
11. On every Valuation Date (every Friday), at 3:00 pm CROCUS was to calculate a Pricing NAV ("Net Asset Value") per Common Share (the "A Share Price"). The A Share Price was the price at which one A Share could be purchased or redeemed as of the Valuation Date. All subscriptions for A Shares and requests for redemption of A Shares which have been received since the preceding Valuation Date were to be processed as of the Valuation Date using the A Share Price. All purchases, including purchases made through payroll deductions or pre-arranged purchase plans, were to be processed in this manner.
12. Under the Crocus Act, it was the duty of the Board to determine the fair value of the A Shares of Crocus as at each Valuation Date.
13. The Crocus Prospectus at page 27 disclosed the manner in which the A Share Price was to be determined as at each Valuation. Appendix A hereto sets out these provisions which can be summarized as follows:

- (a) CROCUS was required to determine the net asset value per A Share (“NAV per A Share”) on each Valuation Date in accordance with the valuation methodology as detailed in the prospectus, the rules set out in the Crocus Act (“Rules”) and in accordance with CROCUS policies (“Valuation Policies”);
 - (b) in determining the value of the investment by CROCUS in Publicos the public market value of each Publico on each Valuation Date was to be used, except in certain circumstances;
 - (c) in determining the value of the investment by CROCUS in Privatecos the net realizable value (“NRV”) of the owned securities of each Privateco on each Valuation Date was to be used. The NRV of the investment was to be determined in accordance with the Rules and the Valuation Policies, which provided that:
 - (i) for the first 12 months the value shall be the cost (subject to revaluation if a change occurs which may have a material effect on such value);
 - (ii) thereafter, annually, on the anniversary date of the investment, the NRV shall be determined as being the amount which would be recovered from the sale of the investment on an orderly basis over a reasonable period of time to an informed, knowledgeable and willing person acting without restraint.
 - (d) with respect to investments by CROCUS in Publicos, the Board was entitled to rely on a weekly report prepared by a staff committee (“Staff Valuation Committee”) giving an opinion of the value of such investments as of such Valuation Date;
 - (e) with respect to investments by CROCUS in a Privateco, the Board was entitled to rely on an annual report prepared by the Staff Valuation Committee giving an opinion of the NRV of the securities of that company as of the anniversary date of the acquisition of such securities, or, if approved, as of the financial year end of the Privateco;
 - (f) if on a Valuation Date the Board determines there has been a change in a Privateco which may have a material effect on its value, the Board shall cause a revaluation of the investment in such company;
 - (g) on each Valuation Date the Board was to have an independent qualified valuator prepare a report setting out an opinion as to the manner in which the CROCUS valuation department should calculate the NAV per A Share unless the Board determined that since the last Valuation Date there had been no change in the net assets of CROCUS which could have a material effect on the manner of calculating the NAV per A Share. In that case such report could be dispensed with for such Valuation Date and the valuation for the Valuation Date done by the CROCUS valuation department in accordance with the previous report
14. The prospectus disclosure is consistent with the requirements of *The Crocus Investment Fund Act*. The relevant provision is section 15 and reproduced in Appendix B hereto.

Valuation Process for Investee Companies

15. The CROCUS valuation department, with assistance from the Staff Valuation Committee, was responsible for managing the valuation of the Fund's investments, monitoring values and conducting valuations, all in accordance with the Crocus Act, the Valuation Policies and the Rules. Generally, the CROCUS valuation department was responsible for:
 - (a) recommending to the Board a qualified person to provide an opinion as to the fair value of any particular investment;
 - (b) engaging and working with external consultants, such as chartered business valuers, to obtain an opinion as to the fair value of any particular investment;
 - (c) where approved by the Board, to determine the fair value of an investment and obtain an expert review report from an independent valuator with respect to same;
 - (d) submitting recommendations to the Board on specific valuations of investments; and
 - (e) monitoring investments regularly to determine whether a change has occurred which may have a material effect on the value of an investment which would require a revaluation of such investment.

The Staff Valuation Committee was, during the relevant time, chaired by the Fund's Valuation Manager.

16. The Board delegated certain of its responsibilities relating to the determination of the A Share Price to a committee of directors (the "Board Valuation Sub-Committee"), any two of which were authorized to sign a certificate (the "Share Price Valuation Certificate") on behalf of the Board evidencing the approval by the Board of the A Share Price specified in the said certificate.
17. Pursuant to such delegation, the Staff Valuation Committee prepared weekly valuations for each Publico in the portfolio, together with annual valuations of each Privateco. The said valuations were set forth in a Share Price Valuation Certificate which the Staff Valuation Committee then provided to the Board Valuation Sub-Committee.
18. A valuation was not advanced to the Board Valuation Sub-Committee unless all the members of the Staff Valuation Committee agreed on a value.
19. Once the Staff Valuation Committee agreed to a value, the recommended value would be entered onto the Share Price Valuation Certificate and the Share Price Valuation Certificate would be sent to the Board Valuation Sub-Committee. Where a material change in the net assets occurred since the previous Valuation Date that would have a material affect on the A Share Price the valuation would be referred to an external valuator to do a limited review of the valuations and advise the Board Valuation Sub-Committee.
20. The procedure was for management to prepare the Share Price Valuation Certificates on the Valuation Date and thereafter once the Share Price Valuation Certificate had been

circulated among the valuation staff members comprising of the Staff Valuation Committee and signed by each member, it was then mailed to the Chair of the Board Valuation Sub-Committee for signature. Once received and signed by the Chair it would be mailed to another member of the Board Valuation Sub-Committee and once signed would be mailed back to staff at CROCUS for filing with the Commission. The net effect was that the signing and filing of Share Price Valuation Certificates never occurred on a Valuation Date.

21. It was the general practice of the Board Valuation Sub-Committee to deal with valuations on a quarterly basis. If valuations were not available to be considered the meeting would be cancelled.
22. Between April, 2004 and September 2004 there were no meetings of the Board Valuation Sub-committee. Meetings which were scheduled during this time were cancelled as no new valuations were available for consideration until September 2004. During this period a number of valuations of certain Publico investee companies in the portfolio were still underway. Further, valuations of certain Privatecos could not be determined since the anniversary dates of these investee companies had not yet been realized or their year end financial statements were not available to the Board Valuation Sub-Committee for review and consideration.

September 2004 Portfolio Writedown

23. In September 2004, the senior officers of CROCUS were in a position to bring forward valuations of 23 of the 50 Privatecos ("September 2004 Valuation Reports"). Based upon the valuations and the wide ranging review, certain senior officers were of the view that the net realizable value of the portfolio needed to be adjusted downward by approximately \$15 million.
24. The September 2004 Valuation Reports which supported this writedown were tabled by certain senior officers at the meeting of the Board Valuation Sub-Committee on September 20, 2004. The recommendations of those senior officers were accepted by the Board Valuation Sub-Committee, which in turn made a report to the meeting of the full Board on September 23, 2004. The recommendation was that the Board accept the valuations as presented.
25. At the Board meeting on September 23, 2004, the senior officers repeated to the full Board what they had said to the Board Valuation Sub-Committee on September 20, 2004 that the valuations presented of the certain Privatecos were fair based upon the information they had. The Chief Operating Officer ("COO") also expressed confidence that based on the information available on that date the proposed \$15 Million writedown would result in a fairly valued portfolio as of September 24, 2004. The COO advised that staff would seek to determine whether or not there were further risks with respect to two identified Privatecos in the portfolio and that these two Privatecos had been sent out for an external valuation. He undertook to bring more information back to the Board with respect to those companies. Responding to questions from the Board, the COO acknowledged that it was normal for a venture fund like CROCUS to have risky investments but he could not say at that time if a further significant writedown would be necessary as they were still reviewing the portfolio.
26. On October 26, 2004 a further meeting of the Board was held at which time the Board reinforced with senior officers that closer monitoring of the Privatecos in the portfolio was

required and expected. The newly appointed Chief Investment Officer (“CIO”) confirmed and assured the Board that management would be actively intervening with the investee Privatecos in the portfolio in areas where CROCUS had expertise.

November 2004 Risk Analysis

27. On Monday November 15, 2004 the Finance and Audit Committee of the Board met to discuss finalizing the annual audited financial statements. It was noted at that meeting that there may be an issue regarding the valuation of one Privateco, but that the extent of the issue or any potential writedown was not yet known, as additional due diligence investigations had to be completed and no formal valuation or recommendation from the Staff Valuation Committee has been formed at that time. The valuation issue arose only in the context of whether the valuation of the one Privateco would affect the year-end financial statements. The Committee was assured by the Fund’s auditors, PWC, that it would have no impact on the year-end financial statements of CROCUS.

PWC also assured the Finance and Audit Committee that the audit process had been followed for the current audit and that, with respect to the significant writedown announced in September, the valuation methodology used was consistent with past practice. The PWC auditors indicated that they had questioned management and staff and received satisfactory answers as to why certain Privateco investments were devalued and advised the Committee that it wasn’t just a case of investments that were always bad finally being written down.

28. On Monday November 15, 2004 two directors, Charles Curtis and Albert Beal signed Share Price Valuation Certificates approving A Share Price valuations for the Valuation Dates of September 24, 2004, October 1, 2004, October 8th, 2004, October 15th, 2004, October 22, 2004, October 29, 2004, November 5, 2004 and November 12, 2004. Each of such valuations recommended only nominal decreases in the A Share Price on those Valuation Dates.
29. Prior to the Board approval of the share price as described in paragraph B28 above, the following sales and redemptions of A Shares occurred at the indicated price which had been set by Crocus employees:

Date	Share Price	Sales	Redemptions
September 24, 2004	10.61	26,395.62	35018.79
October 1, 2004	10.61	46,539.76	40,133.93
October 8, 2004	10.59	20,765.24	40,988.30
October 15, 2004	10.58	55,216.89	25,655.88
October 22, 2004	10.56	36,152.80	52,619.30
October 29, 2004	10.55	31,853.66	34,529.06
November 5, 2004	10.54	9,186.72	44,498.06
November 12, 2004	10.53	<u>29,256.53</u>	<u>75,341.24</u>
TOTAL		\$255,367.22	\$348,784.56

30. A special meeting of the Board was convened for Thursday, November 18, 2004. At that time a comprehensive review of the Fund's portfolio was being undertaken by CROCUS staff. The Chief Executive Officer ("CEO") advised that the CIO was conducting a thorough review of the investment portfolio. The CIO's preliminary scope report was distributed to the Board and the CEO cautioned the Board that the initial views expressed in the report did not represent the unanimous views of senior management. The CIO reported that:
- (i) the results of his review to date imply there is a material difference between portfolio value and the current value which is now outside the ranges in value previously communicated to the Board Valuation Sub-Committee;
 - (ii) he hoped to have his review completed as quickly as possible and would provide a full and complete scope review of the portfolio for the Board Valuation Sub-Committee meeting scheduled for November 23, 2004.
31. The COO felt that there had been a material decline in the portfolio value which would have to be dealt with expeditiously and that once the valuation process was finished there could be at least a 25% reduction in the portfolio valuation.
32. The CEO reiterated that the opinions expressed by the CIO was not the unanimous view of management and that in his view the Board should undertake to have independent valuations prepared. The role of the PWC auditors was again discussed and it was confirmed that PWC supported the valuation of the Fund at September 30, 2004 after reviewing the valuations deemed material (over \$1.75 million). The Board considered whether such information comprised a sufficient basis for adjusting the A Share Price and sought the input of management and its legal counsel who were present at the meeting.

The CEO advised the Board that the information provided was not sufficient to warrant an immediate adjustment to the A Share Price and the CEO advised the Board that the established protocol for determining the A Share Price must be followed.

None of the senior officers present recommended a reduction in the A Share Price at that time.

One member of the Board (Mr. Fox-Decent) expressed concern as to how this would impact the 2005 sales season.

At an in-camera session following the Board observed that there was a serious rift developing between the executive management of the Fund. The Board members expressed concern over who was right. The Executive Committee of the Board was instructed to interview senior management and other staff to determine the extent of the problems that apparently existed among the senior officers at CROCUS. The Board resolved to obtain verification of the differing opinions of management and to do so quickly. The Executive Committee was also instructed to meet with the COO and instruct him to determine what would be required to have external valuations prepared on a sample of the Fund's key investments.

33. Although the extent of the writedown was not known, on the Friday, November 19 2004 Valuation Date, the Staff Valuation Committee prepared a Share Price Valuation Certificate that recommended a nominal decrease in the A Share Price from \$10.53 to \$10.50. The Share Price Valuation Certificate was not signed by any directors until after December 3, 2004. Based on that price, there were sales of \$46,684.00 and redemptions of \$38,051.52 of A Shares. No qualification was made as to the A Share Price by reference to the information which had been presented to the Board on November 18, 2004.
34. A further presentation was made by the CIO to certain Board members on Tuesday, November 23, 2004 during a meeting of the Board Investment Sub-Committee which gave greater detail to the information presented to the full Board on November 18, 2004. The CIO presented a scope report with details and numbers to support the general comments set out in his preliminary report. The directors present enquired of the senior officers whether, based on the CIO's report, a reduced Class A Share Price would have to be set on Friday November 26, 2004. The CEO was strongly opposed to any A Share Price change based on the report. He insisted valuation protocols must be followed;
35. On the Friday, November 26, 2004 Valuation Date, the A Share Price was valued at \$10.48 by the Staff Valuation Committee in the Share Price Valuation Certificate for that Valuation Date. No directors signed the Share Price Valuation Certificate accepting that recommendation until after December 3, 2004. Based on that price, there were sales of \$35,969.55 and redemptions of \$33,378.83 of A Shares. No qualification was made as to the A Share Price by reference to the information which had been presented to the Board on November 18, 2004.
36. On Tuesday, November 30, 2004 a meeting of the Fund Investment Committee and later that day an urgent full Board meeting was held to discuss the manner in which the Board should proceed. It was determined that the valuation issue had to be definitively determined, as soon as possible. Directions were given by the Board to the Staff Valuation Committee and a senior officer of CROCUS to contact national accounting firms to obtain fee quotes and response times for valuations of certain Privatecos and retain an independent valuator to provide a valuation to the Staff Valuation Committee at its meeting for December 8, 2004.
37. Following the Tuesday November 30, 2004 meeting of the Board, the directors had a private discussion and agreed that the CEO should be given an opportunity to present his views on the valuation issue privately to the Board and the CEO was invited to attend an in camera meeting of the Board later that day for that purpose.
38. At the in camera session held on Tuesday November 30, 2004 the CEO gave a formal presentation to the Board on the issues facing the Fund and its strategic direction and, in regards to the valuation issue, advised the Board that:
 - (i) the CIO's assumptions, while not necessarily unreasonable, were very conservative and made no allowance for the possibility of any capital appreciation going forward but made full allowance for the possibility of future capital depreciation. He advised that the CIO's assessment was not consistent with industry practice.
 - (ii) the write off of the investment in certain Privatecos was premature under existing protocols.

- (iii) the Board needed more balanced perspective and there should be external valuations. He further indicated any valuation must be based upon existing protocols.
39. Following the CEO's presentation the Executive Committee briefed the Board on the results of its interviews with senior management and staff. It was determined that the rift and differing opinions among the senior officers at CROCUS were severely adversely impacting the staff and the Fund. The Executive Committee recommended that the CEO be removed from his position.
 40. On Thursday, December 2, 2004 a further full Board meeting was held to discuss what appeared to be serious conflicts developing within senior management. The Board was advised that fee quotes for the independent valuator would not be available for review at the meeting of the Staff Valuation Committee on December 8, 2004. The COO was instructed to immediately commission external valuations of five (5) Privatecos by national accounting firms for completion by December 8, 2004. There was discussion that any re-pricing which might follow would impact the Fund's sale season as to share purchases.
 41. Resolutions were passed on December 2, 2004 authorizing the Executive Committee to negotiate the transition of the CEO out of his position and into an advisory or representative role within the Fund and to conduct a search for an acting or interim CEO.
 42. On the Friday, December 3, 2004 Valuation Date, the A Shares were valued at \$10.45 by the Staff Valuation Committee. The Share Price Valuation Certificate accepting that valuation was not signed by any directors until after December 3, 2004. Based on that price, there were sales of \$27,067.25 and redemptions of \$67,249.75 of A Shares. It is the Board's belief that it did not have definitive information to make an adjustment to the A Share Price at that time.
 43. On Saturday, December 4, the Board tasked the Executive & Personnel Committee to assess the commitment of two senior officers as to working with the Fund going forward.
 44. A conference call was held on Sunday, December 5, 2004 which included certain of the Respondent Board Members and the COO and CIO. The disparity in valuation was discussed with those senior officers in order to gain a better understanding of their intentions concerning their continued involvement with the Fund.
 45. On Monday, December 6, 2004 the Board met. Amongst other things, the Executive & Personnel Committee reported on their telephone call with the COO and CIO on December 5, 2004. The report indicated that those senior officers were committed to CROCUS on the understanding they would not sign a renewal prospectus until there was a definitive position as to the valuations. The Board was also concerned that the lack of definitive valuations would have a negative impact on the upcoming sales season. The Board gave the Valuation Sub-Committee of the Board authority to retain independent valutors for five investee companies. The independent valutors would report their findings directly to the Board.
 46. At the December 6, 2004 Board Meeting, the Board also sought advice from the professional legal advisers on next steps to take. The Board was advised that any issues with the prospectus arising from the valuation issues would need to be discussed with

the auditors for Crocus, the underwriter for Crocus and the Commission. The Board was also advised that after discussing these issues with the Commission, the Commission might require that Crocus stop trading the A Shares.

47. On Wednesday, December 8, 2004 the Staff Valuation Committee held its scheduled meeting. The CEO and COO and other members of the CROCUS staff were present, together with CROCUS counsel and certain Board members. The COO presented the final valuation scope report but no request was made that the Staff Valuation Committee approve any valuations at that time. The scope report indicated that the valuation department of the Fund had accepted the views of the investment department of the Fund and that the adjustment to the A Share Price that would be required could exceed the investment department's initial estimates.
48. Following that meeting, the members of the Board in attendance held an in camera discussion with CROCUS counsel and discussed the situation, given that independent valuations were not available as initially anticipated. It was concluded that the information presented in the scope report was such that a decision on an A Share Price adjustment could not be delayed until independent valuations were obtained, but that those present were not able to definitively conclude how a fair A Share Price could be determined in the absence of such valuations. The Directors considered two alternatives: setting a reserve of an estimated write down to be applied to the A Share Price or a suspension of trading. As a result, those directors present concluded that the only alternative, pending the determination of a fair A Share price, was to approach the Commission immediately to request a suspension of trading.
49. At a meeting of the Board on Thursday, December 9, 2004, the Board directed a delegation meet with CROCUS' underwriters, CROCUS' auditors and the Commission concerning the intention to stop trading the A Shares.

Actual Process for Board Approval of A Share Prices

50. During the period that the Crocus Prospectus was current, the procedure for setting the A Share Price was done in the following order:
 - a) The calculation to determine the A Share Price was prepared by the Controller or Assistant Controller each Friday (the Valuation Date) prior to 3 p.m.
 - b) Once determined by the Controller or Assistant Controller, the share price was disseminated by e-mail to CROCUS staff and financial information providers.
 - c) A Share Price Valuation Certificate was prepared for signature by two directors on the Board Valuation Sub-Committee.
 - d) Between January 21, 2004 and September 28, 2004, the Share Price Valuation Certificate and a spreadsheet supporting the A Share Price calculations was sent the week following the Valuation Date by regular mail to Robert Hilliard, the Chairman of the Board Valuation Sub-Committee until September 2004, to his offices at the Manitoba Federation of Labour (the "MFL") with a request to sign it and forward it to Peter Olfert, who had an office at the MGEU premises for the second signature. A reply envelope was provided to mail the Share Price Valuation Certificate and the supporting calculations back to CROCUS. The Share Price Valuation Certificate was then sent to the Commission. The A Share Price during this period was never approved by the Board on the Valuation Date.

51. Between September 28, 2004 and December 3, 2004 the CROCUS staff person who normally prepared the Share Price Valuation Certificates and sent them for signature had left the employment of CROCUS. During that time, Crocus staff determined a value for the A Share Price for the Valuation Date, but the A Share Price was not approved by the Board on the Valuation Date. The Share Price Valuation Certificates for September 24, 2004, October 1, 2004, October 8, 2004, October 15, 2004, October 22, 2004, October 29, 2004, November 5, 2004 and November 12, 2004 were all provided to the Staff Valuation Committee on or about November 12, 2004 for signature and then sent to Charles Curtis and Albert Beal for signature and signed by those directors on November 15, 2004 at a Board Finance and Audit Committee meeting. The certificates were returned to CROCUS staff at that time and thereafter sent to the Commission.
52. The Share Price Valuation Certificates for November 19, 2004 November 26, 2004 and December 3, 2004 were likewise not prepared for signature until after December 3, 2004, after which time arrangements were made to have them signed by two directors, Peter Olfert and Sylvia Farley. Such certificates were thereafter sent to the Commission.
53. Prior to the Board approval of the share price as described in paragraph B52 above, the following sales and redemptions of A Shares occurred at the indicated price which had been set by Crocus employees:

Date	Share Price	Sales	Redemptions
November 19, 2004	10.50	46,684.00	38,051.52
November 26, 2004	10.48	35,969.55	33,378.83
December 3, 2004	10.45	27,067.25	67,249.75
TOTAL		\$109,720.80	\$138,680.10

54. Between January 23, 2004 and December 3, 2004, CROCUS had gross sales of \$16,539,060.29, and gross redemptions of \$8,039,217.21.

C. Allegations

1. The Crocus Prospectus did not contain full, true and plain disclosure as required by s. 41(1) of the Act in that:
 - (i) the Board of CROCUS failed to determine the fair value of the Class A Common Shares of the Fund as at each Valuation Date in the manner disclosed in the Crocus Prospectus and Amended Prospectus;
 - (ii) Between April 2004 and September 2004, the Board of CROCUS failed to ensure valuations were completed in a timely manner as disclosed in the Crocus Prospectus and Amended Prospectus;
 - (iii) the Board of CROCUS when it became aware on November 18, 2004, of a change which may have a material effect on the value of investment assets of the Fund permitted sales and redemptions of Class A Shares until December 9,

2004 without a revaluation of the investment asset or assets in the manner disclosed in the Crocus Prospectus and Amended Prospectus;

- (iv) the Board permitted sales and redemptions of Class A Shares after they became aware of a change which may have a material effect on the value of the investment assets of the Fund and could not revalue the investment asset or assets affected by the change as at the Valuation Date on each of Friday November 19, 2004, Friday November 26, 2004 and Friday, December 3, 2004 in accordance with the valuation process disclosed in the Crocus Prospectus and Amended Prospectus;
- (v) Robert Hilliard, Peter Olfert, Charles Curtis, Sylvia Farley and Albert Beal executed share valuation certificates signifying Board approval of the A Share Price after the Valuation Date and after the price had been set by CROCUS staff and used for the purposes of sales and redemptions of A Shares which were completed prior to the Board Members approving the share price, contrary to the process disclosed in the Crocus Prospectus and Amended Prospectus;
- (vi) Charles Curtis and Albert Beal executed 8 share valuation certificates signifying Board approval of the A Share Price on November 15, 2004 after the price had been set by Crocus staff and used for the purposes of sales and redemptions of A Shares which were completed prior to the Board Members approving the A Share Price and after being told at a Finance and Audit Committee meeting on November 15, 2004 that there may be a material change to the valuation of the portfolio, contrary to the process disclosed in the Crocus Prospectus and Amended Prospectus;
- (vii) Peter Olfert and Sylvia Farley executed 3 share valuation certificates in December 2004 indicating Board approval of the A Share Price of November 19, 2004 November 26, 2004 and December 3, 2004 after being made aware that there may be a material change to the valuation of the portfolio, contrary to the process disclosed in the Crocus Prospectus and Amended Prospectus.

D. Acknowledgements

1. The Respondent Board Members acknowledge and admit to each of the allegations in C. 1. above as applicable to each of them.

E. Considered Factors

Staff, in arriving at the recommended penalties as set out in the Proposed Consent Order, considered several factors.

1. While the certification of the A Share Price was done consistently after the actual valuation date, the A Share Price was calculated by the CROCUS valuation department and Staff Valuation Committee in accordance with approved CROCUS Valuation Policies, Rules and methodology.

2. In connection with allegation C. 1(ii) above, the valuations were underway during that time but the financial year end statements of certain investee companies were either not completed or available for consideration.
3. At all material times the Board was receiving professional legal advice concerning whether they could revalue the Class A Share Price after November 18, 2004. Based upon this advice, the Respondent Board Members did not have definitive information to make an adjustment to the A Share Price.
4. The Fund's auditor had never advised the Board that it was not satisfied with the valuation processes followed by CROCUS or that the valuations were materially over or understated. The Board believed that the audited financial statements provided an accurate and fair representation of the value of CROCUS.
5. These Respondent Board Members contend that while two of the senior officers had raised issues as to valuations on November 18, 2004, a full review of the Fund was underway. Since the extent of the issue or any potential writedown was not yet known, these Respondent Board Members did not have definitive information to make an adjustment to the A Share Price.
6. Staff of the Commission is unaware of any evidence that the Respondent Board Members acted with improper intent or with dishonesty in carrying out their duties.
7. The Respondent Board Members have been subject to terms and conditions of orders by the Commission and the Court of Appeal set out in A9 and A11 above, which are consistent with the relief being sought in this order, for over 6 years. Staff of the Commission have no information that suggests that the Respondent Board Members violated the terms of the orders made by the Commission and the Court of Appeal set out in A9 and A11 above.
8. Staff is not seeking costs or monetary penalties as part of this settlement. Staff acknowledges that although these sanctions would have otherwise been sought, the proposed penalties are appropriate in the circumstances. A factor taken into account by Staff was that the Respondent Directors have corporate indemnities from Crocus where any such costs or monetary penalties could be paid out of the fund decreasing the amount available for ultimate distribution to Crocus Class A shareholders.
9. Staff believes that it is in the public interest for the Commission to make the Order as described in Part F.

F. Terms of Settlement

1. In order to effect a resolution of the issues raised in the Proceedings, Staff and the Respondent Board Members identified below have entered into this Settlement Agreement and submit that the within terms of settlement are appropriate and in the public interest.
2. The legislative test for making an order under s. 19.5 of the Act is whether it is in the public interest that the order be made.
3. This Consent Order is as follows:
 - (a) the Settlement Agreement be approved;

- (b) Lea Baturin, Diane Beresford, Charles Curtis, Peter Olfert, Waldron (Wally) Fox-Decent, Albert Beal, Sylvia Farley and Robert Hilliard undertake to the Commission that they will not act as a director or officer of a public company or of any issuer which is not a private issuer for a period of 1 year from the date of the approval of this Settlement Agreement by the Commission;
- (c) pursuant to subsection 19(5), Lea Baturin, Diane Beresford, Charles Curtis, Peter Olfert, Waldron (Wally) Fox-Decent, Albert Beal, Sylvia Farley and Robert Hilliard may not rely on the exemptions for trades in securities described under s. 19(1) of the Act or for trades of the securities described in s. 19(2) of the Act except for trades made on their own account though a registrant for a period of 1 year from the date of the approval of this Settlement Agreement by the Commission.

G. Procedure for Approval of Settlement

1. The approval of this Settlement Agreement and the making of the Consent Order set out in this Settlement Agreement shall be sought at a public hearing pursuant to the Notice of Hearing.
2. Staff and the Respondent Board Members agree that if this Settlement Agreement is approved by the Commission, it will constitute the entirety of the evidence to be submitted to the Commission in connection with the Enforcement Matter and CROCUS and the Respondent Board Members hereby waive their right to a full hearing and appeal of this matter.
3. If, for any reason whatsoever, this Settlement Agreement is not approved by the Commission or the Consent Order referred to in Part F. above is not made by the Commission, Staff will be entitled to proceed with whatever steps it is entitled by law to take, including but not restricted to the commencement of a hearing before the Commission, unaffected by this Settlement Agreement or the settlement discussions. In the event that such steps are taken, the Respondent Board Members shall have all the usual rights of a person subject to such proceedings. If this Settlement Agreement is not approved or the Consent Order set out in Part F. above is not made by the Commission, the terms of this Settlement Agreement shall remain confidential and will not be raised in this or any other proceeding and any admissions contained in this Settlement Agreement shall be considered as without prejudice communications and in furtherance of settlement discussions, which will not be binding upon the parties and which will be inadmissible in any proceeding whatsoever.
4. Staff and the Respondent Board Members agree that if this Settlement Agreement is approved by the Commission and the Consent Order made upon the terms set out in this Settlement Agreement, this Settlement Agreement will be a public document.
5. The Respondent Board Members agree that they will not raise in any proceeding this Settlement Agreement or the negotiation or process of approval of this Settlement Agreement as a basis for an attack on the Commission's jurisdiction, alleged bias, alleged unfairness or any other challenge that may be available.

6. If this Settlement Agreement is approved by the Commission and the Consent Order is made upon the terms set out in this Settlement Agreement, neither Staff nor the Respondent Board Members will make any statement inconsistent with this Settlement Agreement.

DATED at Winnipeg, Manitoba, this 5th day of October, 2011.



Witness



Charles Curtis

DATED at Winnipeg, Manitoba, this day of October 2011.

Witness

Peter Olfert

DATED at Winnipeg, Manitoba, this day of October, 2011.

Witness

Waldron (Wally) Fox-Decent

DATED at Winnipeg, Manitoba, this day of October, 2011.

Witness

Lea Baturin

DATED at Winnipeg, Manitoba, this day of October, 2011.

Witness

Albert Beal

DATED at Winnipeg, Manitoba, this day of October, 2011.

Witness

Diane Beresford

DATED at Winnipeg, Manitoba, this day of October, 2011.

Witness

Sylvia Farley

DATED at Winnipeg, Manitoba, this day of October, 2011.

Witness

Robert Hilliard

DATED at Winnipeg, Manitoba, this day of October, 2011.

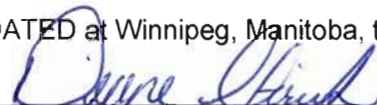
6. If this Settlement Agreement is approved by the Commission and the Consent Order is made upon the terms set out in this Settlement Agreement, neither Staff nor the Respondent Board Members will make any statement inconsistent with this Settlement Agreement.

DATED at Winnipeg, Manitoba, this day of October, 2011.

Witness

Charles Curtis

DATED at Winnipeg, Manitoba, this ^{6th} day of October 2011.



Witness



Peter Olfert

DATED at Winnipeg, Manitoba, this day of October, 2011.

Witness

Waldron (Wally) Fox-Decent

DATED at Winnipeg, Manitoba, this day of October, 2011.

Witness

Lea Baturin

DATED at Winnipeg, Manitoba, this day of October, 2011.

Witness

Albert Beal

DATED at Winnipeg, Manitoba, this day of October, 2011.

Witness

Diane Beresford

DATED at Winnipeg, Manitoba, this day of October, 2011.

Witness

Sylvia Farley

DATED at Winnipeg, Manitoba, this day of October, 2011.

Witness

Robert Hilliard

DATED at Winnipeg, Manitoba, this day of October, 2011.

Witness

Charles Curtis

DATED at Winnipeg, Manitoba, this day of October 2011.

Witness

Peter Olfert

DATED at ^{Montreal, Quebec} Winnipeg, Manitoba, this 6 day of October, 2011.

EA

Witness *Evan Fox - Decent*

W. Fox - Decent

Waldron (Wally) Fox-Decent

DATED at Winnipeg, Manitoba, this day of October, 2011.

Witness

Lea Baturin

DATED at Winnipeg, Manitoba, this day of October, 2011.

Witness

Albert Beal

DATED at Winnipeg, Manitoba, this day of October, 2011.

Witness

Diane Beresford

DATED at Winnipeg, Manitoba, this day of October, 2011.

Witness

Sylvia Farley

DATED at Winnipeg, Manitoba, this day of October, 2011.

Witness

Robert Hilliard

DATED at Winnipeg, Manitoba, this day of October, 2011.

Staff of the Manitoba Securities Commission

per: _____
Director, Legal and Enforcement

TO: **D'Arcy & Deacon LLP**
 Ken Filkow, Q.C.
 Counsel to the Respondent Board Members

- 6. If this Settlement Agreement is approved by the Commission and the Consent Order is made upon the terms set out in this Settlement Agreement, neither Staff nor the Respondent Board Members will make any statement inconsistent with this Settlement Agreement.

DATED at Winnipeg, Manitoba, this day of October, 2011.

Witness	Charles Curtis
---------	----------------

DATED at Winnipeg, Manitoba, this day of October 2011.

Witness	Peter Olfert
---------	--------------

DATED at Winnipeg, Manitoba, this day of October, 2011.

Witness	Waldron (Wally) Fox-Decent
---------	----------------------------

DATED at Winnipeg, Manitoba, this day of October, 2011.

Witness	Lea Baturin
---------	-------------

DATED at Winnipeg, Manitoba, this ^{14th} day of October, 2011.

	
Witness	Albert Beal

DATED at Winnipeg, Manitoba, this day of October, 2011.

Witness	Diane Beresford
---------	-----------------

DATED at Winnipeg, Manitoba, this day of October, 2011.

Witness	Sylvia Farley
---------	---------------

DATED at Winnipeg, Manitoba, this day of October, 2011.

Witness	Robert Hilliard
---------	-----------------

DATED at Winnipeg, Manitoba, this day of October, 2011.

6. If this Settlement Agreement is approved by the Commission and the Consent Order is made upon the terms set out in this Settlement Agreement, neither Staff nor the Respondent Board Members will make any statement inconsistent with this Settlement Agreement.

DATED at Winnipeg, Manitoba, this day of October, 2011.

Witness	Charles Curtis
---------	----------------

DATED at Winnipeg, Manitoba, this day of October 2011.

Witness	Peter Olfert
---------	--------------

DATED at Winnipeg, Manitoba, this day of October, 2011.

Witness	Waldron (Wally) Fox-Decent
---------	----------------------------

DATED at Winnipeg, Manitoba, this day of October, 2011.

Witness	Lea Baturin
---------	-------------

DATED at Winnipeg, Manitoba, this day of October, 2011.

Witness	Albert Beal
---------	-------------

DATED at Winnipeg, Manitoba, this 6th day of October, 2011.

	
Witness	Diane Beresford

DATED at Winnipeg, Manitoba, this day of October, 2011.

Witness	Sylvia Farley
---------	---------------

DATED at Winnipeg, Manitoba, this day of October, 2011.

Witness	Robert Hilliard
---------	-----------------

DATED at Winnipeg, Manitoba, this day of October, 2011.

- 6. If this Settlement Agreement is approved by the Commission and the Consent Order is made upon the terms set out in this Settlement Agreement, neither Staff nor the Respondent Board Members will make any statement inconsistent with this Settlement Agreement.

DATED at Winnipeg, Manitoba, this day of October, 2011.

Witness	Charles Curtis
---------	----------------

DATED at Winnipeg, Manitoba, this day of October 2011.

Witness	Peter Olfert
---------	--------------

DATED at Winnipeg, Manitoba, this day of October, 2011.

Witness	Waldron (Wally) Fox-Decent
---------	----------------------------

DATED at Winnipeg, Manitoba, this day of October, 2011.

Witness	Lea Baturin
---------	-------------

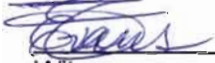
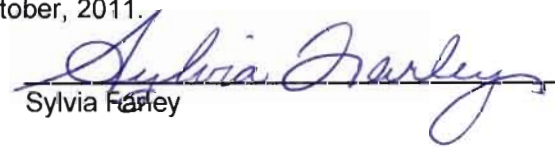
DATED at Winnipeg, Manitoba, this day of October, 2011.

Witness	Albert Beal
---------	-------------

DATED at Winnipeg, Manitoba, this day of October, 2011.

Witness	Diane Beresford
---------	-----------------

DATED at Winnipeg, Manitoba, this ^{7th} day of October, 2011.

	
Witness	Sylvia Farley

DATED at Winnipeg, Manitoba, this day of October, 2011.

Witness	Robert Hilliard
---------	-----------------

DATED at Winnipeg, Manitoba, this day of October, 2011.

- If this Settlement Agreement is approved by the Commission and the Consent Order is made upon the terms set out in this Settlement Agreement, neither Staff nor the Respondent Board Members will make any statement inconsistent with this Settlement Agreement.

DATED at Winnipeg, Manitoba, this _____ day of October, 2011.

Witness

Charles Curtis

DATED at Winnipeg, Manitoba, this _____ day of October 2011.

Witness

Peter Olfert

DATED at Winnipeg, Manitoba, this _____ day of October, 2011.

Witness

Waldron (Wally) Fox-Decent

DATED at Winnipeg, Manitoba, this _____ day of October, 2011.

Witness

Lea Baturin

DATED at Winnipeg, Manitoba, this _____ day of October, 2011.

Witness

Albert Beal

DATED at Winnipeg, Manitoba, this _____ day of October, 2011.

Witness

Diane Beresford

DATED at Winnipeg, Manitoba, this _____ day of October, 2011.

Witness

Sylvia Farley

DATED at Winnipeg, Manitoba, this 6th day of October, 2011.



Witness



Robert Hilliard

DATED at Winnipeg, Manitoba, this _____ day of October, 2011.

6. If this Settlement Agreement is approved by the Commission and the Consent Order is made upon the terms set out in this Settlement Agreement, neither Staff nor the Respondent Board Members will make any statement inconsistent with this Settlement Agreement.

DATED at Winnipeg, Manitoba, this day of October, 2011.

Witness

Charles Curtis

DATED at Winnipeg, Manitoba, this day of October 2011.

Witness

Peter Olfert

DATED at Winnipeg, Manitoba, this day of October, 2011.

Witness

Waldron (Wally) Fox-Decent

DATED at Winnipeg, Manitoba, this day of October, 2011.

Witness

Lea Baturin

DATED at Winnipeg, Manitoba, this day of October, 2011.

Witness

Albert Beal

DATED at Winnipeg, Manitoba, this day of October, 2011.

Witness

Diane Beresford

DATED at Winnipeg, Manitoba, this day of October, 2011.

Witness

Sylvia Farley

DATED at Winnipeg, Manitoba, this day of October, 2011.

Witness

Robert Hilliard

DATED at Winnipeg, Manitoba, this 7th day of October, 2011.

Staff of the Manitoba Securities Commission

Staff of the Manitoba Securities Commission

per: 
Director, Legal and Enforcement

**TO: D'Arcy & Deacon LLP
Ken Filkow, Q.C.
Counsel to the Respondent Board Members**

Appendix A

5. VALUATION

5.01 Introduction.

The largest source of the Fund's capital has and is expected to continue to come from the issue of Common Shares. The Fund also will be the principal purchaser of issued Common Shares. Since the Fund will be both selling and redeeming Common Shares on a regular basis, the manner in which shares are sold and redeemed is an important aspect of the Fund's business operation. It is also important that the price at which the Common Shares are sold and redeemed is a fair price for both the Fund and its shareholders.

The Fund is required to issue Common Shares and to redeem Common Shares pursuant to Permitted Redemptions at the Pricing NAV Per Common Share determined as of the relevant Valuation Date. Generally, the Pricing NAV Per Common Share at any particular Valuation Date will be the quotient obtained by dividing the net asset value of the Fund plus the amount of unamortized deferred sales charges (less any amount that would be paid in priority to the other classes of shares on a liquidation, dissolution or winding-up) by the aggregate number of Common Shares and Class I Shares other than Series Three Shares outstanding at such time. Due to the nature of the Fund's Investment Assets, however, the Pricing NAV Per Common Share will be an approximation that is subject to uncertainty. See Section 15.09 "Risk Factors – Valuations".

The Fund calculates its Pricing NAV Per Common Share in accordance with its valuation methodology as detailed in the prospectus, in accordance with the rules set out in the Crocus Act and in the Valuation Policies.

...

To ensure the consistent application of a fair mechanism for determining the Pricing NAV Per Common Share and the NAV, the Fund has adopted procedures for determining these values and has adopted the Valuation Policies with respect to the valuation of its Investment Assets that are sufficiently flexible to allow any unusual circumstances to be taken into account by the Board of Directors.

5.02 Valuation of Fund Assets.

General. The net asset value of the Fund generally represents an amount equal to the difference between the value of the assets of the Fund and the amount of the debts of the Fund. The net asset value of the Fund will be determined as at each Valuation Date. For this purpose, the value of the Fund's assets generally will be the aggregate of:

- in respect of Investment Assets for which a published market value exists, except in certain circumstances discussed below, the published market value as at the relevant Valuation Date;
- in respect of Investment Assets for which no published market value exists, the net realizable value of such Investment Assets determined in accordance with the Crocus Act and the Valuation Policies (which, in the first twelve months following the acquisition of an Investment Asset is the cost of such Investment Asset to the Fund, subject to the requirement to revalue such asset in certain circumstances as discussed below); and

- in respect of any asset that is not an Investment Asset, the cost of such asset less any accumulated depreciation or amortization applicable to it as determined by the Board of Directors in consultation with the auditors of the Fund.

In each case where an Investment Asset is to be valued at its net realizable value determined in accordance with the Crocus Act and the Valuation Policies, net realizable value means the amount which would be received by the Fund from the sale of the Investment Asset on an orderly basis over a reasonable period of time in an arm's length sale between the Fund and an informed, knowledgeable and willing purchaser, acting without restraint.

...

Valuation of Investment Assets for Which No Published Market Exists. An Investment Asset for which there is no published market value will be valued at its cost for the first twelve months following the date such Investment Asset was acquired by the Fund. The Board of Directors will require a revaluation to be made of an Investment Asset within this twelve month period if it is of the opinion that there has been a change which may have a material effect on the value of the Investment Asset. After the initial twelve month period, such Investment Asset will be valued at its net realizable value, as determined by the Board of Directors annually in accordance with the Crocus Act and the Valuation Policies.

In order to assist the Board of Directors in valuing Investment Assets for which no published market exists, or for which a published market exists but the Board of Directors has determined that such Investment Assets could not be readily disposed of through such market at the applicable Valuation Date, it will obtain a report by such qualified person as the Board of Directors has approved, which may be the staff valuation committee, giving an opinion of the fair value of such Investment Assets as of the respective anniversary dates of the acquisition of such Investment Assets or, if approved by the Board of Directors, as of the financial year end of each respective investee company. Where on any Valuation Date the Board of Directors determines that there has been a change which may have a material effect on the value of any Investment Asset, it shall cause a revaluation of any such Investment Asset.

...

The Valuation Policies provide that the Board of Directors may cause a qualified person, which may be the auditor of the Fund, to review from time to time as the Board of Directors may deem appropriate the methodologies used by the Fund in valuing its Investment Assets to ensure that the Fund has appropriate systems in place to properly value its Investment Assets in the manner contemplated by the Valuation Policies.

...

5.04 Calculation of Pricing NAV Per Common Share.

Subject to Section 5.05 below, the Pricing NAV Per Common Share on each Valuation Date will be the fair value of a Common Share determined in accordance with the Crocus Act and the Valuation Policies. To assist in determining the fair value of a Common Share at a Valuation Date, the Board of Directors will have an independent qualified person (the "valuator") prepare a report setting out an opinion as to the manner in which the fair value of a Common Share should be calculated by the Fund's internal accountants as at such date. Presently, the valuator retained for this purpose is KPMG LLP. Such report is to be prepared at each Valuation Date, unless the Board of Directors determines

that since the preceding Valuation Date there has been no change in the assets or liabilities of the Fund which could have a material effect on the manner of calculating the fair value of a Common Share, in which case the preparation of the report may be dispensed with for such Valuation Date and the calculation determining the value of the Common Shares as at such Valuation Date shall be done by the internal accountants of the Fund in accordance with the previous report.

Appendix B

Valuation

15(1) The fair value of the Class "A" Common Shares of the Fund shall be determined by the Board as at each Valuation Date.

Asset valuation

15(2) For the purpose of determining the fair value of the Class "A" Common Shares of the Fund as at any Valuation Date, the value of the investments assets of the Fund on that Valuation Date shall be determined by the Board in accordance with the following rules:

(a) investment assets held by the Fund for which there is a published market value shall be valued at their published market value as at the Valuation Date;

(b) if, despite the existence of a published market value for particular investment assets of the Fund,

(i) in the opinion of the Board such investment assets could not readily be disposed of through such market at the Valuation Date, the Board may adjust the value of those assets to reflect the amount which would likely be realized from their sale, or

(ii) it was the intention of the Board at the time such assets were acquired to hold them as a fixed income security until maturity, the Board may value those assets at cost, adjusted to reflect the amortized portion of the discount or premium, as the case may be;

(c) for each Valuation Date preceding the first anniversary of the date on which it was acquired by the Fund, an investment asset held by the Fund for which there is no published market value shall be valued at its cost unless the Fund is required by subsection (6) to revalue the assets prior to the expiration of that one year period;

(d) for each Valuation Date following the first anniversary of the date on which it was acquired by the Fund, each investment asset held by the Fund for which there is no published market value shall be valued at its net realizable value as at that date;

(e) assets of the Fund other than investment assets shall be valued at cost less any depreciation applicable to them as determined by the Board in consultation with the auditors of the Fund.

Definition of "net realizable value"

15(3) In this section, "**net realizable value**", means the amount which would be received by the Fund from the sale of the investment asset on an orderly basis over a reasonable period of time in an arm's-length sale between the Fund and an informed, knowledgeable and willing purchaser, acting without restraint.

Report of valuation

15(4) For the purpose of determining the net realizable value of an investment asset, the Board shall cause a person qualified to make an evaluation of the investment asset to prepare a

report annually, as at each anniversary date of the acquisition of the investment asset, giving his or her opinion as to the fair value of the investment asset.

Duty of Board in determining value

15(5) In determining the net realizable value of an investment asset the Board shall have regard to the report under subsection (4), to any other bona fide arm's-length transactions respecting the investment asset which in the opinion of the Board provide a valid indication of the net realizable value of the investment asset and to such other factors as the by-laws of the Fund may provide.

Revaluation

15(6) If on any Valuation Date the Board determines that there has been a change which may have a material effect on the value of any investment asset of the Fund, the Board shall cause a revaluation of the investment asset or investment assets affected by the change as at that Valuation Date.

Duty of the Board in determining value

15(7) Subject to subsection (8), for the purpose of assisting it in determining the value of the Class "A" Common Shares at a Valuation Date, the Board shall cause a person qualified to make an evaluation of the Fund to prepare a report stating his or her opinion as to the manner in which the value of the Class "A" Common Shares should be calculated by the accountants to the Fund at such Valuation Date on the assumption that the values of the investment assets of the Fund at that Valuation Date are the values determined in accordance with the rules set out in this section.

Exception

15(8) If on any Valuation Date the Board determines that since the preceding Valuation Date there has been no change in the assets or liabilities of the Fund which could have a material effect upon the manner of calculating the value of the Class "A" Common Shares of the Fund, the Board may dispense with the report as to the manner in which the value of the Class "A" Common Shares should be calculated, and, when it does so, the calculation determining the value of the Class "A" Common Shares shall be done by the accountants to the Fund in accordance with the last report prepared by the person qualified to make an evaluation of the Fund.