



THE SECURITIES ACT

Section 19(5)

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Order No. 6540

June 19, 2012

Ron Waugh

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, Robert Hilliard, Ron Waugh and Robert Ziegler (the "Respondent Board Members");
- (B) On September 30, 2005 the Respondent Board Members filed a motion with 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) On October 25, 2011, the Commission approved a Settlement Agreement between Staff of the Commission and Charles Curtis, Peter Olfert, Waldron (Wally) Fox-Decent, Lea Baturin, Albert Beal, Diane Beresford, Sylvia Farley, and Robert Hilliard issuing Commission Order Number 6414.
- (G) Staff of the Commission and Ron Waugh have entered into a Settlement Agreement (a copy of which is attached as Schedule "A") dated June 19, 2012 ("Settlement Agreement"), which proposes settlement of the Proceedings as the relate to Ron Waugh, subject to the approval of the Commission;
- (H) Ron Waugh has consented to the issuance of this Order and has waived his rights to a full hearing;
- (I) On June 19, 2012, 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** 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 Ron Waugh, and
 - (b) subsection 19(2) of the Act, with respect to such securities referred to in that subsection, does not apply to Ron Waugh,

except for trades made on his own account though a registrant, for a period commencing on the date of this order and ending at 11:59pm on October 1, 2012.

BY ORDER OF THE COMMISSION


Director

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 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 (the "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 Panel heard the motion for media access on June 29, 2005 and gave its decision by written reasons dated August 18, 2005.

6. The Panel 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 Panel heard the motion of the Respondent Board Members.
9. On October 11, 2005 the Panel gave oral reasons dismissing the Respondent Board Members motion to stay (the "Stay Decision"). The Panel 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. On October 25, 2011, the Panel approved a Settlement Agreement between Staff of the Commission and Charles Curtis, Peter Olfert, Waldron (Wally) Fox-Decent, Lea Baturin, Albert Beal, Diane Beresford, Sylvia Farley, and Robert Hilliard issuing Commission Order Number 6414.
16. Since October 11, 2005, Ron Waugh has complied with the terms of the adjournment and the subsequent stay orders, and has not otherwise been subject to any other proceedings under the Act.

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. Ron Waugh performed no duties as a director until he attended his first meeting of the Board on September 23, 2004. Ron Waugh sat on the Board for a total of 79 days during the period in question. Over that time, Ron Waugh attended all nine (9) Board meetings scheduled during that time. Ron Waugh was never a signatory to the Share Price Valuation Certificates (as hereinafter defined). During 2004 Ron Waugh was an employee of the provincial government and did not hold any professional designation and had never been a director of any company before joining the Board.
9. Prior to attending his first meeting of the Board on September 23, 2004, Ron Waugh was not given, nor asked to be provided with, any binder or other documentation relating to the business, organization or operation of CROCUS or the Board and no new director indoctrination session or any other similar type of meeting was ever held with Ron Waugh to review the CROCUS Prospectus, review the nature of the business conducted by CROCUS or explain the delegation of responsibilities by the Board to management. In fact, other than receiving materials relating to the proposed business to be conducted at the September 23, 2004 meeting, Ron Waugh was not given, nor asked to be provided with, any documentation regarding CROCUS prior to the commencement of his terms as a director of CROCUS and at that time Ron Waugh had no information and had never been advised of the manner in which the A Shares Price was determined.
10. CROCUS offered Class A Common Shares (the "A Shares") to the public during 2004 under the CROCUS Prospectus.

(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

18. 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

19. 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

27. Upon becoming a director Ron Waugh was not aware of the above process initiated by the Board to deal with valuations and the delegation to staff and staff and board committees of the preparation, signing and filing of the Share Price Valuation Certificates. At the board meeting on October 26, 2004, Ron Waugh requested from CROCUS staff a binder of the CROCUS Valuation Policies and Rules and was advised by the COO that no such binder had ever been prepared. At Ron Waugh's insistence, binders were subsequently prepared and circulated to the Board.

September 2004 Portfolio Writedown

28. 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 those 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. The Staff Valuation Committee did not unanimously support that view and accordingly, no formal recommendation was made by the Staff Valuation Committee to the Board Valuation Sub-Committee to that effect.
29. The September 2004 Valuation Reports which supported this writedown were tabled by certain senior officers (rather than by the Staff Valuation Sub-Committee, as prescribed) 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.

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.

30. As noted in paragraph 7(a) above, Ron Waugh was appointed to the Board effective September 10, 2004. The September 23, 2004 meeting was the first meeting of the Board subsequent to his appointment and the first meeting of the Board he attended.
31. 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

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.

36. 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.

37. 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. Legal Counsel was present at the meeting

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.

38. 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

- (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.
43. 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.
 44. 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 until 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.
 45. 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.
 46. 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.
 47. 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.
 48. A conference call was held on Sunday, December 5, 2004 which included the COO and CIO, and certain of the Respondent Board Members other than Ron Waugh. 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.
 49. 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.

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.

- e) Ron Waugh was unaware of the process involved in the preparation and signing of the Share Price Valuation Certificates.

55. 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.
56. 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.
57. 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

58. 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.
59. Ron Waugh did not sign any of the Share Price Valuation Certificates, nor was he aware that the actual process for the setting of the A Share Price was different from what was represented in the Crocus Prospectus.

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:

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 Ron Waugh has a corporate indemnity 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.

7. 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 Ron Waugh 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) pursuant to subsection 19(5) of the Act, Ron Waugh 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 his own account though a registrant for a period commencing on the date of the approval of this Settlement Agreement by the Commission and ending October 1, 2012 at 11:59pm .

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 Ron Waugh 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 Ron Waugh hereby waives his 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, Ron Waugh 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

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

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.

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.