

January 27, 2003

VIA MAIL AND FACSIMILE

Crocus Investment Fund
c/o Fillmore Riley
1700 – 360 Main Street
Winnipeg MB R3C 3Z3

Attention: Mr. Daniel C. St-Jean

Dear Mr. St-Jean:

Crocus Investment Fund
Exemptive Relief Application under Section 19.1 of National Instrument 81-102
Mutual Funds dated January 16, 2003

By an application dated January 16, 2003, you applied to the Registrar of Securities in and for the Northwest Territories, (the “Decision Maker”), on behalf of Crocus Investment Fund (“Crocus” or the “Fund”) for an exemption pursuant to subsection 19.1 of National Instrument 81-102 Mutual Funds (“NI 81-102”) from the applicability of sections 2.1, 2.2, 2.3(a) (b) (g) & (i), 2.4, 2.5(l)(a), 2.6(a) (d) (f) (g) & (h), 4.2(1)3 & 4.5.1(c), 13.4, 15.10(4)(a), and Part 12 (the “Subject Provisions”).

In the Application, the Fund represented the following:

1. Crocus is a Manitoba based labour-sponsored venture capital corporation (“LSVCC”) and a reporting issuer in Manitoba.
2. Crocus is a corporation created by *The Crocus Investment Fund Act* (the “Fund Act”) and a prescribed labour-sponsored venture capital corporation for the purposes of the *Income Tax Act* (Canada) and *The Income Tax Act* (Manitoba). Crocus is designated as a mutual fund company for the purposes of *The Securities Act* (Manitoba) (the “MSA”).
3. The Fund is governed by the provisions of the Fund Act, *The Manitoba Income Tax Act* (Manitoba) (the “Manitoba Tax Act”), and to a lesser extent, the *Income Tax Act* (Canada) (the “Federal Tax Act”) (the “Legislation”). As a result of the Legislation, the Fund will not be able to comply with the Subject Provisions.
4. Crocus Class A Common shares are offered for sale to the public in Manitoba on a continuous basis by way of a long form prospectus filed with The Manitoba Securities Commission. Crocus intends to offer Class A Common Shares for sale to the public in the Northwest Territories on a continuous basis upon, and subject to, a final receipt being issued by or on behalf of the Decision

Maker with respect to the Fund's long form prospectus filed with the Decision Maker on December 24, 2002.

5. Crocus is subject to the reporting requirements of Parts X, XI and XII of the MSA.
6. Crocus' overall objectives are prescribed by the Fund Act. Crocus' investment activity is subject to certain rules and restrictions, some of which are contained in the Fund Act and others in Crocus' internal investment policies (the "Investment Policies"). Requirements imposed on the Fund by the Fund Act can be changed only by an amendment to the Fund Act by the legislature of the Province of Manitoba. Requirements imposed pursuant to the Investment Policies can be changed by the board of directors with shareholder approval.
7. The Fund Act provides that the Fund's investment assets must be invested as follows:
 - a) The Fund must invest not less than 60% of its investment assets in "eligible investments" which is defined in the Fund Act as a share of, partnership interest in, or a qualifying loan or guarantee to, a qualified Manitoba business;
 - b) The Fund must maintain a reserve fund as prescribed by the Act; and
 - c) In addition, the Fund is restricted from investing more than the 10% of the fair market value of its investment assets in any one business and is required to use its best efforts to ensure that a majority of its investment assets directly or indirectly promote employee ownership or employee participation and corporate governance in management.
8. Crocus makes investments in the early and growth stage of Manitoba businesses with the primary objective of achieving long-term capital appreciation in the value of its investments. As a result, most of the investments will be "illiquid assets" within the meaning of NI 81-102.
9. The Fund Act contains certain restrictions on the investment activities of the Fund. Some relate to the make up of the investment portfolio and others specify types of investments the Fund may make and types of businesses in which the Fund may not invest. Venture Capital investment typically involves the venture capital investor having representation on the board of directors of investee companies and thereby exerting some influence over the operations of such companies. This is often considered desirable by the investee companies because it provides them with the benefits of the advice of the venture capital investor, whose experience is helpful to companies in the early stage of development. It also permits the venture capital investor to closely monitor the development of the investee company.
10. Successful venture capital investing requires significant involvement by the venture capital investor in the business and affairs of the investee companies. For example, venture capital investors will often actively participate in the development of strategic plans and business models for the investee companies and assist in recruiting key personnel, evaluating productivity, raising additional financing and enhancing strategic contacts.
11. Venture capital investors sometimes loan money to investee companies or provide guarantees of the debts or obligations of the investee companies, often on a short term basis, to assist the investee companies to deal with short term cash flow deficiencies.
12. The Fund may distribute shareholder communications which may include after-tax credit

performance data. "Shareholder communication" means a communication relating to a LSVCC, made by it or on its behalf, that is delivered directly to shareholders of the LSVCC and does not include advertisements and brochures. "After-tax credit performance data" or "ATCPD" means performance data for time periods after which shareholders in a LSVCC can redeem their shares without repayment of tax credits and takes into account such tax credits.

13. The Manitoba Securities Commission has granted the same relief as is requested by the Application, by way of order dated January 14, 2003.

This letter confirms that, based on the information and representations contained in the Application, and for the purposes described in the Application, the Decision Maker hereby grants exemption to the following sections of NI 81-102:

Section 2.1;

Section 2.2;

Section 2.3(a) & (b);

Section 2.3(g) - for the purpose of options of an investee, whether they are issued by or to the investee or by or to a major shareholder of the investee;

Section 2.3(i);

Section 2.4;

Section 2.5(l)(a) - provided that the underlying Fund is sold by prospectus and only invests in securities of a type described as a bond, treasury bill issued by the Government of Canada or province or a debt obligation of a Canadian corporation that is rated not less than R1-mid or equivalent by a security rating institution in Canada or the United States that is recognized as such by the investment industry in that country;

Section 2.6(a);

Section 2.6(d) - provided that the commitment for additional investment is made at the time of the original purchase and the commitment is disclosed in the Fund's prospectus;

Section 2.6(f) - for the purpose of promissory notes;

Section 2.6(g);

Section 2.6(h) - for the purpose of private companies;

Section 4.2(1)3 & 4;

Section 5.1(c) - provided that disclosure to the effect that these investment objectives cannot be changed by anyone other than by the Manitoba Legislature be included in the Prospectus under Investment Objectives and the Risk section;

Part 12;

Section 13.4 - provided that valuation procedures are performed in accordance with those set out in the Fund's prospectus; and

Section 15. 10(4)(a) -for the purpose of calculating ATCPD.

The relief provided herein is also conditional upon:

1. The Fund complying with all other applicable provisions of NI 81-102 from which the Fund has not been exempted;
2. The Fund complies with the Crocus Investment Fund Act; and
3. The Fund will not include ATCPD in any sales communication except for shareholder communication provided that:
 - a) The actual performance of the LSVCC for the same period must be shown and must be given more prominence than the ATCPD. The LSVCC should also explain that this performance data constitutes the actual performance of the investments made by the LSVCC;
 - b) The LSVCC gives prominent and complete explanation of the meaning of ATCPD. The explanation should describe that shareholders who bought their shares before the applicable time periods received one-time specified tax credits (the time period and the tax credits should be quantified in the explanation) and that those shareholders can now redeem their shares without repayment of those tax credits. The explanation should also emphasize that this information is relevant only to those specific investors who received the tax credit. If the tax credit and redemption timing changed in recent years, the changed timing and tax credits should also be referred to. ATCPD should not be provided for any periods prior to the expiration of the applicable redemption repayment period; and
 - c) The LSVCC calculates its ATCPD consistently in accordance with the following formula: from the net asset value per share of the LSVCC on the first day of the applicable period, deduct the relevant tax credit percentage from that number and use the reduced number as a starting figure in calculating "standard performance" using the required formula established by NI 81-102.

Yours truly,

"Tony Wong"

Tony S.K. Wong
Registrar, Securities & Corporate Registries
Northwest Territories