

CANADA)
PROVINCE OF SASKATCHEWAN)

IN THE QUEEN'S BENCH
JUDICIAL CENTRE OF SASKATOON

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36

AND IN THE MATTER OF A PROPOSED PLAN OF ARRANGEMENT FOR THE
CREDITORS OF BIG SKY FARMS INC., DRYCAST SYSTEMS INC. and
BIG SKY MANAGEMENT CONSULTING CORP.

THIRD SUPPLEMENTARY AFFIDAVIT
OF CANUTE TAGSETH

I, CANUTE TAGSETH, of the City of Saskatoon, in the Province of
Saskatchewan, Chartered Accountant, **MAKE OATH AND SAY THAT:**

1. I am employed as the Chief Financial Officer (the "CFO") of the Applicant, Big Sky Farms Inc., such that I have personal knowledge of the facts and matters hereinafter deposed to, except where stated to be based upon information and belief, and where so stated I do verily believe the same to be true.
2. I make this Third Supplementary Affidavit to supplement the Affidavit sworn by me on October 29, 2009 (the "October 29 Affidavit"); the Supplementary Affidavit sworn by me on November 2, 2009 (the "November 2 Affidavit") and the Second Supplementary Affidavit sworn by me on December 4, 2009 (the "December 4 Affidavit"), each of which Affidavits have been filed on behalf of Big Sky Farms Inc., Drycast Systems Inc. and Big Sky Management Consulting Corp. (collectively, the "Applicants" or "Big Sky") in support of these proceedings.
3. I have read the Notice of Motion dated December 7, 2009 (the "Schafer Notice of Motion") filed in these proceedings on behalf of Schafer Commodities Inc. ("Schafer"), together with the accompanying Affidavit of Janice Lynne Leishman

sworn on December 7, 2009 and filed on behalf of Schafer (the "Leishman Affidavit"). I swear to the following facts in reply to the Leishman Affidavit

Schafer Is Not the Sole Available Source of Supply

4. The information contained in the Leishman Affidavit which states that Distillers Dried Grain ("DDG") and soybean meal ("SBM") are important to the business operations of Big Sky Farms Inc. is accurate. Of these two ingredients, SBM is more important to the production processes of the Applicants than is DDG.
5. Contrary to the information contained in the Leishman Affidavit, Schafer is not the sole source of Distillers Dried Grain ("DDG") or soybean meal ("SBM") available to Big Sky Farms Inc. To the contrary, there are a number of other alternative sources of DDG and SBM available to Big Sky Farms Inc.
6. Big Sky Farms Inc. has been purchasing SBM from Schafer periodically since December of 2008. Prior to October of 2009, Big Sky Farms Inc. had purchased SBM from several sources, including Schafer. However, in October of 2009, Big Sky Farms Inc. began to experience difficulties regarding credit arrangements with other suppliers of SBM. As a result, Big Sky Farms Inc. began to purchase SBM from Schafer in large quantities in October of 2009.
7. One of the primary reasons why Big Sky Farms Inc. purchases SBM and DDG from Schafer is that Schafer has been prepared (both before and after November 10, 2009) to extend flexible credit terms to Big Sky Farms Inc. If Schafer is no longer prepared to extend flexible credit terms to Big Sky Farms Inc. (and instead requires a court-ordered charge on the assets of Big Sky Farms Inc. as part of its payment terms), then Big Sky Farms Inc. can and will look to alternative sources of supply of DDG and SBM (other than Schafer) and will no longer be in a position to do business with Schafer.
8. Simply stated, Big Sky Farms Inc. does not require that it obtain DDG or SBM from Schafer in order for Big Sky Farms Inc. to continue its business operations. Being required to locate and secure alternative sources of supply of DDG and

SBM (other than Schafer) will not put at risk either Big Sky Farms Inc. or the welfare of the animals owned by Big Sky Farms Inc.

9. Between the date that the Applicants obtained the Initial Order in these proceedings) (November 10, 2009) and the date on which the Leishman Affidavit was sworn (December 7, 2009), no complaint, concern or objection to the terms of credit on which Schafer was supplying DDG or SBM to Big Sky Farms Inc. was ever communicated to me (nor, to the best of my knowledge, information and belief, to any other member of the Applicants' management team). Indeed, the terms of credit under which Schafer has supplied DDG and SBM to Big Sky Farms Inc. since November 10, 2009 were negotiated between Schafer and the Applicants and were agreed to by Schafer.
10. I have been informed by Jeffrey M. Lee of the law firm of MacPherson Leslie & Tyerman LLP, counsel to the Applicants, and I verily believe it to be true:

(a) that a post-application trade creditor charge was granted in favour of suppliers to insolvent hog production enterprises in the CCAA case of *Community Pork Ventures Inc.*, but such application was by consent and was unopposed by the senior lenders whose security was sought to be "primed" by such charge (in marked contrast to this case); and

(b) that a post-application trade creditor charge was granted in favour of suppliers to an insolvent hog production enterprise in the CCAA case of *Stomp Pork Farm Ltd.*, but such application was by consent and was unopposed by the senior lenders whose security was sought to be "primed" by such charge (in marked contrast to this case) and was granted in favour of Cargill Limited, a single supplier which was the source of all or substantially all of the feed supplied to the insolvent debtor company in that case (in marked contrast to this case).

Potential of Court-Ordered Charge to Undermine These CCAA Proceedings

11. The Applicants are not prepared to agree to or support an arrangement which would see their assets subjected to a court-ordered priority charge in favour of Schafer. Indeed, the Applicants are gravely concerned that any additional court-ordered charge of the type sought by Schafer:

(a) would have the potential to destroy or undermine the very important support for the CCAA restructuring efforts of the Applicants which has (to this date) been offered by Bank of Nova Scotia, Bank of Montreal, National Bank of Canada and Farm Credit Canada (collectively, the "Senior Lenders") and by Golden Opportunities Fund Inc., CIC Asset Management Inc., FCC Ventures, Florian Possberg and Cliff Wiegers (collectively, the "Sub-Debt Lenders"), the secured creditors whose security would be "primed" in favour of Schafer as a result of the charge sought by Schafer; and

(b) would amount to a breach of the November 10, 2009 DIP Financing Commitment Letter whereby the Applicants obtained a DIP Credit Facility of \$6,300,000.00 to fund their operations during these CCAA proceedings and would therefore severely imperil these restructuring proceedings.

12. I make this Third Supplementary Affidavit in opposition to the application by Schafer commenced by the Schafer Notice of Motion.

SWORN BEFORE ME at the ^{City of} ~~City of~~)
Humboldt, in Province of Saskatchewan)
this 8th day of December, 2009.)

Janelle Renneberg)
A Commissioner For Oaths in and for the)
Province of Saskatchewan.)

~~Being a Solicitor~~

My commission expires: Dec 31/2009

Canute Tagseth
CANUTE TAGSETH

This Affidavit was delivered by:

MacPherson Leslie & Tyerman LLP

Lawyers

1500, 410 - 22nd Street East

Saskatoon, Saskatchewan

S7K 5T6

Lawyer in Charge of File: Jeffrey M. Lee

Telephone Number: (306) 975-7100

Fax Number: (306) 975-7145

Email: jmlee@mlt.com