

ACTION NO. 0801-14675

**IN THE COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL DISTRICT OF CALGARY**

BETWEEN:

NATIONAL BANK OF CANADA

Plaintiff

- and -

**McGILLIVRAY & SERA FARMS LTD., 626625 ALBERTA LTD.,
626626 ALBERTA LTD., BASTIAANSEN HOLDING COMPANY
LTD., JOS BASTIAANSEN, CORIEN BASTIAANSEN, and
BASSEM FARM CORPORATION,**

Collectively, the "DEFENDANTS"

Defendants

SECOND REPORT OF THE INTERIM RECEIVER

ERNST & YOUNG INC.

MARCH 13, 2009

INTRODUCTION

1. Ernst & Young Inc. was appointed Interim Receiver (the “Interim Receiver”) over certain of the assets of McGillivray & Sera Farms Ltd. ("MSF"), 626625 Alberta Ltd., 626626 Alberta Ltd., Bastiaansen Holding Company Ltd., Jos Bastiaansen and Corien Bastiaansen (collectively, the "MSF Defendants") and in respect of certain assets of Bassem Farm Corporation ("Bassem"), collectively Bassem and MSF are referred to as the “Defendants”.
2. The terms of the Appointment Order dated February 23, 2009 authorized the Interim Receiver, among other things, to:
 - a) Monitor all accounts generated from any sales of inventory;
 - b) Take possession and control of the Defendants’ bank accounts;
 - c) Monitor the Defendants’ assets including land, buildings, fixtures and rolling stock;
 - d) Initiate preparations for the marketing and sale of the lands, buildings, business and undertaking of the Defendants’ assets ; and
 - e) Make payments from the funds on hand to unsecured creditors of the Defendants and Mr. Walter Semkuley, for the express purpose of preserving and maintaining the assets.
3. The purpose of this second report (the “Second Report”) of the Receiver is to advise this Honourable Court with respect to:
 - a) The activities of the Receiver since the First Report; and
 - b) Provide a summary of the cash receipts and disbursements for the period from February 23, 2009 to March 12, 2009 (the “Reporting Period”) as compared to the estimated cash flow attached to the First Report.

ACTIVITIES OF THE INTERIM RECEIVER

4. The Interim Receiver advised the Toronto-Dominion Bank (the “TD”) of its appointment and instructed it to freeze Bassem’s account with respect to disbursements; however, requested TD to allow deposits and incoming transfers to be accepted. Upon receiving a copy of the entered Court Order on March 4, 2009, the Interim Receiver made arrangements with the TD to transfer the funds on hand in the Bassem account to an account of the Interim Receiver. The TD transferred the funds on deposit to the Interim Receiver on March 9, 2009. The delay in the TD transferring the funds related to the bank ensuring the validity of the Court Order prior to authorizing the transfer of the funds.
5. The Interim Receiver, in consultation with Mr. Jos Bastiaansen, itemized the required payments to be made and upon receiving the transferred funds from the TD, the Interim Receiver processed the required cheques to various suppliers and employees. The details of the receipts and disbursements made by the Interim Receiver are discussed in further detail below.
6. As set out in the First Report, the disbursements by the Interim Receiver during the Reporting Period were made to expressly preserve the Defendants’ assets and for services provided subsequent to February 23, 2009, with any amounts constituting arrears being delayed until a later date.
7. The Interim Receiver has continued to work with Mr. Bastiaansen to monitor the proceeds generated from the sale of inventories. In addition, the Interim Receiver has compiled an initial listing of the rolling stock and has initiated preparations for the marketing and sale of the assets.

BUDGET TO ACTUAL CASH FLOW FORECAST

8. Attached at Appendix A is a summary of the receipts and disbursements for the Reporting Period as compared to the cash flow forecast that was attached to the Interim Receiver's first report (the "Cash Flow Forecast"). The table below provides a summary of Appendix A with the major variances discussed below:

	Period ended March 12, 2009			NOTE
	Budget	Actual	Variance	
Receipts	152,800	240,566	87,766	a
Disbursements	141,769	121,505	(20,264)	b
	11,031	119,061	108,030	
Opening cash	55,000	101,991	46,991	c
Ending cash	66,031	221,052	155,021	

Note (a) - Cash receipts

9. Receipts during the Reporting Period totaled \$240,566, which was approximately \$87,766 in excess of the Cash Flow Forecast. The positive variance related to a timing difference as certain receivables totaling approximately \$94,000 were received during the Reporting Period that were not anticipated to be collected until after March 16, 2009.

Note (b) - Cash disbursements

10. Disbursements of \$121,505 were made by the Interim Receiver during the Reporting Period with the major expense categories summarized below:

Disbursements	Actual
National Bank of Canada (per Court Order)	46,652
Insurance	32,000
Fuel (prepayment)	13,000
Wages	15,778
Jos Bastiaansen and Walter Semkuley wages	6,000
Other	8,075
TOTAL DISBURSEMENTS	121,505

11. Disbursements of \$121,505 were made by the Interim Receiver during the Reporting Period as compared to \$141,769 included in the Cash Flow Forecast. The variance of \$20,264 is summarized and explained below:

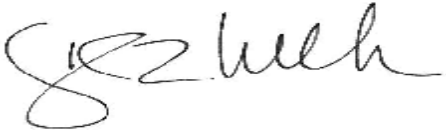
Disbursement - budget to actual variance	TOTAL FORECAST	TOTAL ACTUAL	Variance	EXPLANATION OF VARIANCE
Disbursements				
Payment to National Bank as per Court Order	-	46,652	46,652	- Payment to National Bank was netted from opening cash on the Cash Flow Forecast and therefore not included as a disbursement.
Fuel - Anmart Fuels	13,000	13,000	-	
Jos Bastiaansen	3,000	3,000	-	
Walter Semkuley	3,000	3,000	-	
Other employees wages	15,000	15,778	778	
Accounting - Burns Valkenburg	5,000	-	(5,000)	- Interim Receiver contacted Burns Valkenburg (BV) and were advised that BV needed to review status of file prior to requiring any deposit or payment
Power - Epcor	10,250	-	(10,250)	- Timing difference as no payment made during Reporting Period.
Natural Gas - Altagas	10,915	2,150	(8,765)	- Payment relates to period commencing February 23, 2009, whereas forecast included payment of arrears which were stayed by the Court Order
Equipment Lease - Transwest	18,000	-	(18,000)	- Timing differences, Interim Receiver is awaiting on further information from supplier to support payment.
Equipment Lease - Bodkin	2,900	-	(2,900)	
Equipment Lease - Prime Capital	4,237	-	(4,237)	
Welding - Robey's Welding	3,000	-	(3,000)	- No payment required during the Reporting Period
Maintenance - Rockterra	2,000	-	(2,000)	- No payment required during the Reporting Period
Telephone - Telus	70	207	137	
Tires - GL Tires	3,000	1,500	(1,500)	- Interim Receiver arranged for a pre-payment account, only on payment of \$1,500 was required for GL Tires and NAPA during the Reporting Period
Supplies - NAPA	3,000	1,500	(1,500)	
Equipment Lease - MCAP Leasing	1,397	-	(1,397)	- No payment required during the Reporting Period
Insurance - Wawanesa	32,000	32,000	-	
Services - Bennen Farms Ltd.	5,000	-	(5,000)	- No payment required during the Reporting Period
Chemicals - Taber Home Farm Centre	7,000	-	(7,000)	- No payment required during the Reporting Period
Other - misc repairs	-	2,718	2,718	- misc. payments required, not including the Cash Flow Forecast
Total Disbursements	141,769	121,505	(20,264)	

Note (c) - Opening cash

12. The variance in opening cash of \$46,991 related to the payment of \$46,652 to the National Bank of Canada as required by the Court Order dated February 23, 2009. The payment was netted from opening cash in the Cash Flow Forecast as the payment was made by Bassem prior to the transferring of the TD bank account to the Interim Receiver (with the consent of the Interim Receiver). However, for purposes of summarizing the total receipts and disbursements since the granting of the February 23, 2009 Order as set out at Appendix A, the payment to the National Bank of Canada has been disclosed separately as a disbursement and excluded from the opening cash balance.

All of which is respectfully submitted this 13th day of March, 2009

**ERNST & YOUNG INC.,
in its capacity as Interim Receiver
of certain of the assets of the Defendants**

A handwritten signature in black ink, appearing to read "Deryck Helkaa". The signature is fluid and cursive, with the first name "Deryck" written in a larger, more prominent script than the last name "Helkaa".

Deryck Helkaa, CA•CIRP
Vice-President