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

Defendants

EIGHTH REPORT OF THE RECEIVER ERNST & YOUNG INC.

July 31, 2013

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INTRODUCTION

1. Ernst & Young Inc. was appointed Interim Receiver over McGillivray & Sera Farms Ltd., 626625 Alberta Ltd., 626626 Alberta Ltd., Bastiaansen Holding Company Ltd., Jos Bastiaansen and Corien Bastiaansen and in respect of certain assets of Bassem Farm Corporation pursuant to an Order of this Honourable Court dated February 23, 2009.

2. Pursuant to an Order (the "MSF Appointment Order") of this Honourable Court dated March 16, 2009 ("Receiver Appointment Date"), Ernst & Young Inc. was appointed Receiver and Manager (the "Receiver") of the property, assets and undertaking of McGillivray & Sera Farms Ltd. ("MSF"), 622625 Alberta Ltd., Bastiaansen Holdings Company Ltd., Jos Bastiaansen ("Mr. Bastiaansen"), and Corien Bastiaansen ("Mrs. Bastiaansen") (collectively referred to as the "MSF Defendants") and in respect of certain assets (including the Inventory, Proceeds and Bank Accounts as defined in the MSF Appointment Order) of Bassem Farm Corporation ("Bassem"). Collectively, Bassem and the MSF Defendants are referred to herein as the "Defendants". The Appointment Order was entered by this Honourable Court on March 23, 2009.

3. The MSF Appointment Order authorized the Receiver, among other things, to carry on the business of the Defendants, to solicit offers to purchase the assets of the MSF Defendants, to continue to realize on the Bassem assets covered by the MSF Appointment Order, and make such arrangements or agreements as deemed necessary by the Receiver.

4. Pursuant to an Order (the "Bassem Appointment Order") of this Honourable Court dated June 23, 2009, Ernst & Young Inc. was appointed Receiver and Manager (the "Receiver") of the property, assets and undertaking of Bassem.

5. The Bassem Appointment Order authorized the Receiver, among other things, to carry on the business of Bassem, to solicit offers to purchase the assets of the Bassem, to continue to realize on the Bassem assets covered by this Order, and make such arrangements or agreements as deemed necessary by the Receiver.

6. On December 11, 2009, the Receiver assigned MSF and Bassem into bankruptcy pursuant to the provisions of the Bankruptcy and Insolvency Act, S.C. 1985, chap. B-3, as amended. Ernst &

Young Inc. was affirmed at the First Meeting of Creditors as the trustee (the "Trustee") in the bankruptcies of MSF and Bassem. MSF and Bassem were assigned into bankruptcy to facilitate a distribution of the funds realized by the Receiver to the unsecured creditors of the MSF Defendants and Bassem.

7. The purpose of this eighth report (the "Eighth Report") of the Receiver is to advise this Honourable Court with respect to the:

   a. Receiver's statement of receipts and disbursements for the Period of March 16, 2009 to July 24, 2013;

   b. Receiver's request to make an interim distribution to Westana Leasing Corporation ("Westana") and an interim distribution to Park Lake Dairy Farms Ltd. and Friesland Farms Ltd. (collectively referred to as "Park Lake");

   c. Steps to complete the administration of the Receivership; and

   d. Recommendation of the Receiver.

BACKGROUND

8. MSF is the main operating company of the MSF Defendants and MSF's operations included a commercial potato and other cash crop venture in and around the Town of Bow Island, in the Province of Alberta, since approximately April, 2006. MSF's operations consisted of approximately 876 acres of agricultural farm land (the "MSF Land"). Mr. and Mrs. Bastiaansen's personal residence and potato storage bins were located on the MSF Land (collectively referred to as the "MSF Land and Buildings"). In addition to the MSF Land and Buildings, the MSF Defendants owned certain machinery and equipment (the "MSF Machinery and Equipment") used in its farming operations. The Receiver's First Report to the Court provides further background on the MSF Defendants and their business.

9. Further background on the Defendants, including Orders issued by this Honourable Court and the Receiver's reports, have been posted by the Receiver on its website at http://www.ey.com/ca/McGillivray.

STATEMENT OF RECEIPTS AND DISBURSEMENTS

10. The Receiver's statement of receipts and disbursements for the period of March 16, 2009 to July 24, 2013.

Statement of Receipts and Disbursements - Receivership Period of March 16, 2009 to July 24, 2013	MSF Defendants	Bassem	Total
Receipts			
Opening cash	$ 86,896	$ 97,206	$ 184,102
Potato Inventory and Other Inventory	464,200	518,650	982,849
Receipt of AFSC Crop Insurance	195,152	218,306	413,458
Auction proceeds - MSF Defendants	1,178,498	-	1,178,498
Auction proceeds - Bassem	-	432,302	432,302
Viterra Receivable	53,995	-	53,995
MSF Land and Buildings	5,047,921	-	5,047,921
Sale of Other Equipment	8,500	-	8,500
	7,035,162	1,266,464	8,301,625
Disbursements			
Distribution to Secured Creditors			
National Bank of Canada	(5,832,353)	-	(5,832,353)
Walter Semkuley	-	(338,489)	(338,489)
Transwest Financial Services Corp.	-	(292,630)	(292,630)
Farm Credit Canada	(14,000)	(140,140)	(154,140)
Lakeside Fertilizer	(26,000)	-	(26,000)
Canada Revenue Agency (Source Deductions)	(52,350)	(56,850)	(109,200)
	(5,924,703)	(828,109)	(6,752,812)
Professional Fees			
Receiver's Fees (Direct)	(254,404)	-	(254,404)
Receiver's Legal Counsel's Fees (Direct)	(79,026)	-	(79,026)
Allocated professional fees	(120,557)	(134,793)	(255,350)
	(453,987)	(134,793)	(588,780)
Operating Costs			
Consulting Fees and Contracting Fees	(119,691)	(85,289)	(204,980)
Repairs and Maintenance	(7,080)	(7,920)	(15,000)
Auction Repairs and Maintenance	(120,250)	-	(120,250)
Trucking	(12,166)	(13,610)	(25,776)
Utilities	(10,404)	(11,638)	(22,042)
Account Fees	(6,099)	(6,823)	(12,923)
Appraisal Fees	(7,624)	-	(7,624)
Security	(5,824)	-	(5,824)
Administrative Fees	(481)	-	(481)
Other	(213)	(436)	(649)
	(289,832)	(125,716)	(415,548)
GST Paid	(25,708)	(28,724)	(54,432)
Closing Available Cash	$ 340,931	$ 149,122	$ 490,052

11. The statement of receipts and disbursements has been prepared by allocating the receipts and disbursements between the MSF Defendants and Bassem pursuant to the terms of the June 23, 2009 Inventory Settlement Order to determine the relative funds available for distribution to each respective secured creditor with the remaining funds to be pooled to form the Unsecured Creditors' Fund.

12. The Inventory Settlement Order was granted as the result of an agreement (the "Settlement Agreement") entered into among the National Bank of Canada (the "National Bank"), Bassem, Walter Semkuley and the Receiver setting forth the beneficial ownership of the crop and other inventory (the "Inventory") held by MSF and Bassem as at the Receiver Appointment Date and avoiding the need for a trial to determine the beneficial ownership of the Inventory. The Settlement Agreement was entered into for the following reasons:

    a. There was no formal agreement between MSF and Bassem identifying the beneficial owner of the Inventory;

    b. the Receiver was unable to clearly identify the beneficial owner of the Inventory due to commingling of expenditures related to growing the Inventory between MSF and Bassem;

    c. the Settlement Agreement and the Inventory Settlement Order avoided the expenses associated with a trial to determine the beneficial ownership of the Inventory; and

    d. the Settlement Agreement and the Inventory Settlement Order are based upon the land contributed to grow the Inventory which was considered by the Receiver and found by the Court to be a reasonable basis for determining beneficial ownership of the Inventory.

13. The Inventory Settlement Order declared that the ownership of the Potato Inventory and Other Inventory as between MSF and Bassem was to be allocated between MSF and Bassem based on the percentage of acres of land each party contributed to the farming operations in 2008 (the "Settlement Allocation"). This allocation resulted in Bassem obtaining a 52.8% beneficial

ownership in the potato inventory, other inventory, opening cash at the Appointment Date and related receivables, and MSF obtaining a 48.2% beneficial interest in the same assets.

14. The Settlement Allocation and Inventory Settlement Order are described in further detail in the seventh report of the Receiver dated November 16, 2009.

Receipts

15. Receipts during the Reporting Period represent the collection of crop receivables, receipt of the AFSC Crop Insurance Proceeds, proceeds received from the Auction of the Defendants' machinery and equipment and the sale of the MSF Lands and Buildings, as more fully described below:

a. opening cash represents funds taken possession of by the Receiver upon its appointment. The opening cash was primarily realized from the sale of the 2008 potato inventory and therefore the opening cash has been allocated between the MSF Defendants and Bassem pursuant to the Settlement Allocation;

b. $982,849 in proceeds was received from the collection of receivables outstanding as at the date of Receiver's appointment or from the sale of inventories by the Receiver. The proceeds from the sale of inventories have been allocated between the MSF Defendants and Bassem pursuant to the Settlement Allocation;

c. $413,458 in insurance proceeds was recovered by the Receiver from the AFSC relating to crops damaged in 2008. The insurance proceeds were allocated between Bassem and the MSF Defendants pursuant the Settlement Allocation;

d. net proceeds of $1,178,498 were received by the Receiver resulting from the auction of the MSF Machinery and Equipment;

e. an additional $432,302 in proceeds have been recovered by the Receiver from the auction proceeds of certain equipment owned by Bassem and other parties;

f. the Receiver was contacted by Viterra Inc. ("Viterra") who notified the Receiver that Viterra had an amount owing to Mr. Bastiaansen and Park Lake Dairy Farms of \$115,960 (the "Pinto Bean Receivable") for pinto beans sold by Mr. Bastiaansen to Viterra in 2007. Viterra further advised it had a set-off of \$61,965 as a result of Mr. Bastiaansen and Mrs. Bastiaansen defaulting on a canola buyback contract in 2007. The net proceeds received from Viterra were \$53,995 and have been allocated to the MSF Defendants as the Pinto Beans were grown on land owned by MSF and did not involve Bassem; and

g. \$5,047,921 recovered by the Receiver from the sale of the MSF Lands and Buildings.

Disbursements

16. During the Reporting Period, the Receiver has disbursed \$6,752,812 to secured creditors, \$588,780 in professional fees and \$415,548 relating to the direct operations of the Defendants as set out below:

a. payments to secured creditors included \$5,832,353 to the National Bank pursuant to the Inventory Settlement Order. National Bank's security related to the assets of the MSF Defendants over which National Bank had valid and enforceable security and, accordingly was, deducted from the recoveries related to the MSF Defendants;

b. payments of \$338,489 to Mr. Semkuley pursuant to the Inventory Settlement Order. Mr. Semkuley's security was registered against the assets of Bassem over which Mr. Semkuley had valid and enforceable security and, accordingly, was deducted from the recoveries related to Bassem;

c. a payment of \$292,630 to Transwest Financial Services Corp. ("Transwest") for two pieces of farm equipment owned by Bassem that were sold by the Receiver and over which Transwest had valid and enforceable security;

d. a payment of \$154,140 to Farm Credit Canada ("FCC") for four freightliners owned by Bassem and one freightliner owned by MSF that were sold by the Receiver and over which FCC had valid and enforceable security;

e. a payment of $26,000 to Lakeside Fertilizers Ltd. ("Lakeside") for a piece of equipment owned by MSF that was sold by the Receiver and over which Lakeside had valid and enforceable security;

f. $109,200 was paid to the Canada Revenue Agency (the "CRA") for outstanding employee source deductions owing by MSF as at the Appointment Date pursuant to a source deduction audit performed by the CRA in June of 2009. The payment to the CRA was allocated between the MSF Defendants and Bassem based on the Settlement Allocation;

g. receiver's fees of $254,404 and its legal counsel's fees of $79,026 have been incurred to date that were specifically identified as relating to the receivership of MSF as provided for in the Inventory Settlement Order. A further $255,350 in Receiver and counsel fees have been incurred that have been allocated between Bassem and the MSF Defendants based on the Settlement Allocation as these fees are considered general and/or related to the Settlement Agreement (and not specifically to the operations or assets of either Bassem or the MSF Defendants); and

h. the majority of the operating costs primarily relate to the costs associated with realizing on the Potato Inventory and Other Inventory and were allocated to Bassem and the MSF Defendants based on the Settlement Allocation. Operating expenses that could be specifically traced to the assets of either Bassem or the MSF Defendants were applied directly to that company. Such expenses included $120,250 in auction repairs and maintenance required to the MSF Machinery and Equipment and appraisal fees relating to MSF's assets.

17. As set out in the table at paragraph 10 above, the Receiver holds in its trust account $490,052 of which $340,931 relates to the MSF Defendants and $149,122 to Bassem. These remaining funds, pursuant to the provisions of the Inventory Settlement Order, are to be paid to the remaining secured creditors of the Defendants as discussed below, with the remaining funds to form the Unsecured Creditors' Fund.

REMAINING DISTRIBUTIONS

18. The table below summarizes the current cash on hand (as indicated in the schedule of Receipts and Disbursements above), the estimated remaining recoveries and expenses and proposed distributions to the remaining secured creditors. The estimated Unsecured Creditors' Fund totals $132,902.

Calculation of Unsecured Creditors' Pool	MSF Defendants	Bassem	Total
Cash on hand	$ 340,931	$ 149,122	$ 490,053
Estimated GST Refund	unknown	unknown	unknown
Funds available before distribution	340,931	149,122	490,053
Distribution to remaining Secured Creditors			
Receiver's Fees to complete receivership	(7,437)	(8,309)	(15,747)
Receiver's Counsel's Fees to complete receivership	(7,080)	(7,911)	(14,991)
Distribution to Westana	(152,435)	-	(152,435)
Distribution to Park Lake	(173,979)	-	(173,979)
Unsecured Creditors' Fund	-	**132,902**	**132,902**

19. The Receiver anticipates receiving a GST refund; however, the amount and timing thereof are unknown due to some GST owed by MSF to the CRA prior to the appointment of the Receiver.

REQUEST FOR INTERIM DISTRIBUTION TO SECURED CREDITORS

20. Both Westana and Park Lake alleged they had secured claims over the remaining MSF Defendants' Funds. Neither has security over any Bassum funds.

21. This Honourable Court issued an order dated October 16, 2012 (the "Settlement Order") declaring that Park Lake has priority to 53.3% of the MSF Defendant's Funds, and Westana has priority to 46.7% of the the MSF Defendants' funds, net of professional fees and disbursements of the Receiver and its legal counsel.

22. The Receiver is requesting approval of this Honourable Court to make an interim distribution pursuant to the Settlement Order totalling $240,000; $127,920 to Park Lake and $112,082 to Westana.

23. The Receiver plans to distribute the remaining funds in the MSF Defendants' Funds upon receipt of the potential GST refund or determination that no GST refund will be collected upon obtaining court approval.

STEPS TO COMPLETE ADMINISTRATION OF THE RECEIVERSHIP

24. To complete the administration of the Receivership, the Receiver must resolve entitlement to a GST refund with CRA. Upon collection of the GST refund or determination that no GST refund will be collected, the Receiver will be in a position to:

    a. make a final distribution from the MSF Defendants' Funds to Park Lake and Westana in accordance with the Settlement Order;

    b. distribute the Unsecured Creditors' Fund to the estate of Bassem to facilitate distribution to the unsecured creditors; and

    c. seek its discharge.

RECOMMENDATION

25. The Receiver hereby respectfully requests that this Honourable Court approve the Interim Distribution.

All of which is respectfully submitted this 31st day of July, 2013.

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

Robert Taylor, FCA, CIRP
Senior Vice-President

Peter Chisholm, CA
Manager