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

NINTH REPORT OF THE RECEIVER
ERNST & YOUNG INC.

May 9, 2014

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INTRODUCTION

1. Ernst & Young Inc. ("EYI") 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 ("Appointment Date"), EYI was appointed Receiver and Manager (the "Receiver") of the property, assets and undertaking of McGillivray & Sera Farms Ltd. ("MSF"), 626625 Alberta Ltd., 626626 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, EYI 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 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. EYI 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 ninth report of the Receiver (the "Ninth Report") is to advise this Honourable Court with respect to:

   a. the Receiver's Final Statement of Receipts and Disbursements for the period of March 16, 2009 to March 28, 2014 (the "Receivership Period");

   b. the Receiver's request to make a final distribution to Westana Leasing Corporation ("Westana") and to Park Lake Dairy Farms Ltd. and Friesland Farms Ltd. (collectively referred to as "Park Lake") from the funds attributable to the MSF Defendants in accordance with the Settlement Order (as defined below);

   c. the Receiver's request to transfer the funds attributable to Bassem to the bankrupt estate of Bassem to facilitate a distribution to the unsecured creditors of Bassem and the MSF Defendants;

   d. the Receiver's request to be discharged; and

   e. the Receiver's recommendations.

BACKGROUND

8. MSF is the main operating company of the MSF Defendants. 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.

FINAL STATEMENT OF RECEIPTS AND DISBURSEMENTS

10. The Receiver's statement of receipts and disbursements for the period of March 16, 2009 to March 28, 2014 are attached hereto as Appendix "A".

11. The statement of receipts and disbursements has been prepared in accordance with an order of this Honourable Court dated June 23, 2009 (the "Inventory Settlement Order"). The Inventory Settlement Order allocated the beneficial ownership of the crop and other inventory (the "Inventory") held by Bassem and MSF as at the Appointment Date, and the related expenditures incurred by the Receiver realizing upon the Inventory, between MSF and Bassem.

12. Prior to the Appointment Date, MSF and Bassem had entered into a joint venture to grow the Inventory. However the Inventory Settlement Order was required for the following reasons:

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

   b. the expenditures related to growing the Inventory were commingled between MSF and Bassem;

   c. the Inventory was grown on land owned by MSF, Walter Semkuley ("Mr. Semkuley") and other leased land;

   d. the Inventory Settlement Order was granted based upon an agreement entered into among the National Bank of Canada (the "National Bank"), Bassem, Mr. Semkuley and the Receiver and avoided the expenses associated with a trial to determine the beneficial ownership of the Inventory; and

   e. the allocations pursuant to the Inventory Settlement Order are based upon the amount of 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 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 47.2% beneficial interest in the same assets. The Settlement Allocation is a weighted average of the land contributed by Bassem and MSF to grow the Potato Inventory and Seed Canola Inventory due to the commingling of costs associated with growing the inventory.

14. The Receiver's expenditures incurred realizing upon the Inventory were also allocated between MSF and Bassem based upon the Settlement Allocation in accordance with the Inventory Settlement Order.

15. The Receiver's receipts and disbursements relating to property excluded from the Inventory Settlement Order were allocated between the MSF Defendants and Bassem based upon ownership of the property.

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

Receipts

17. 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 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

18. During the Reporting Period, the Receiver has disbursed $6,992,812 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. interim distributions in the amount of $112,080 to Westana and $127,920 to Park Lake pursuant to the Settlement Order (as defined below) and further described in the eighth Report of the Receiver dated July 31, 2013;

g. $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;

h. 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 $260,645 in

Receiver and legal 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

i. the majority of the operating costs primarily relate to the costs associated with realizing on the 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.

19. As set out in Appendix "A", the Receiver holds in its trust account $238,333 of which $95,372 relates to the MSF Defendants and $142,961 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

20. The table below summarizes the current cash on hand (as indicated in Appendix "A" attached hereto), the estimated remaining recoveries and expenses and proposed distributions to the remaining secured creditors. The estimated balance of funds attributable to Bassem (the "Unsecured Creditors' Fund) is $129,663 and is to be transferred to the bankrupt estate of Bassem to facilitate distribution to the unsecured creditors of Bassem and the MSF Defendants, jointly.

	MSF Defendants	Bassem	Total
Cash on hand	95,372	142,961	238,333
Funds available before distribution	95,372	142,961	238,333
Distribution to remaining Secured Creditors			
Receiver's Unbilled Fees and Fees to complete receivership	(8,974)	(10,026)	(19,000)
Receiver's Counsel's Fees to complete receivership	(2,928)	(3,272)	(6,200)
Westana	(38,981)	-	(38,981)
Park Lake	(44,490)		(44,490)
Unsecured Creditors' Fund	-	**129,663**	**129,663**

21. The Receiver had originally anticipated receiving a GST refund; however, due to the co-mingling of expenses between the MSF Defendants and Bassem in the period prior to the Receivership and Bassem never applying for a business number from the CRA, the CRA has denied any potential refund.

22. The Receiver has now substantially completed its administration of the estate and is in a position to make a final distribution to the remaining creditors of the MSF Defendants and Bassem. The final distribution will consist of the following, subject to adjustments to estimated professional fees,:

   a. $38,981 distribution to Westana;

   b. $44,490 distributed to Park Lake; and

   c. $129,663 distributed to the bankrupt estate of Bassem for distribution to the unsecured creditors of the MSF Defendants and Bassem.

   (the "Final Distributions").

REQUEST FOR FINAL DISTRIBUTION TO CREDITORS

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

24. The Receiver made an interim distribution of $127,920 to Park Lake and $112,080 to Westana in August of 2013.

25. The Receiver is requesting the approval of this Honourable Court to make a final distribution of the Net MSF Funds to Park Lake and Westana pursuant to the Settlement Order.

26. The Receiver, with the approval of this Honourable Court, will then transfer the Unsecured Creditors' Fund to the bankrupt estate of Bassem to facilitate a distribution to the unsecured creditors of Bassem and the MSF Defendants, jointly.

27. Due to the comingling of operations and liabilities between Bassem and the MSF Defendants, and in accordance with the provisions of the Inventory Settlement Order, the Trustee will allow both the creditors of Bassem and the MSF Defendants with proven claims to participate in the dividend from the bankrupt estate of Bassem.

APPROVAL OF PROFESSIONAL FEES

28. The Receiver's total fees and expenses are $422,105 (plus applicable taxes). The Receiver has approximately $14,000 of unbilled time to date. The Receiver's legal counsel's fees total $171,971 (plus applicable taxes).

29. Copies of the Receiver's invoices and the Receiver's legal counsel's invoices are not attached to this Ninth Report but are available to this Honourable Court if requested.

30. The Receiver's and the Receiver's legal counsel estimate fees to complete the administration of the receivership will not exceed $26,000 including unbilled time to date.

31. The Receiver respectfully requests that this Honourable Court approve the Receiver's and the Receiver's legal counsel's fees and disbursements along with the estimate of fees to complete the receivership administration.

DISCHARGE OF THE RECEIVER

32. The Receiver has completed the majority of its administration of the receivership. Upon distributing the remaining funds as described above, and closing the Receiver's trust account, the Receiver believes it will have discharged all its obligations.

33. The Receiver respectfully requests that this Honourable Court approve an Order discharging the Receiver on the condition of the completion of the final distributions described above from any and all obligations as Receiver Manager of the Defendants.

RECOMMENDATIONS

34. The Receiver recommends that this Honourable Court approve the following:

a) the Receiver's Final Statement of Receipts and Disbursements;

b) the Final Distributions;

c) the fees and disbursements of the Receiver and the legal fees and disbursements of the Receiver's legal counsel;

d) the Receiver taking whatever steps are necessary to finalize the administration of the receivership, upon which the Receiver will be discharged; and

e) provide such further and other relief as this Honourable Court directs.

All of which is respectfully submitted this 9th day of May, 2014.

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

Robert Taylor, FCA, CIRP
Senior Vice-President

Peter Chisholm, CA, CIRP
Senior Manager

APPENDIX A

Final Statement of Receipts and Disbursements - Receivership Period of March 16, 2009 to March 28, 2014	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)
Park Lake	(127,920)	-	(127,920)
Westana Leasing Corporation	(112,080)	-	(112,080)
Canada Revenue Agency (Source Deductio	(52,350)	(56,850)	(109,200)
	(6,164,703)	(828,109)	(6,992,812)
Professional Fees			
Receiver's Fees (Direct)	(254,404)	-	(254,404)
Receiver's Legal Counsel's Fees (Direct)	(79,026)	-	(79,026)
Allocated professional fees	(123,063)	(137,583)	(260,645)
	(456,493)	(137,583)	(594,075)
Operating Costs			
Consulting Fees and Contracting Fees	(122,700)	(88,652)	(211,352)
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)
Accounting Services	(6,096)	(6,819)	(12,915)
Appraisal Fees	(7,624)	-	(7,624)
Security	(5,824)	-	(5,824)
Administrative Fees	(481)	-	(481)
Other	(260)	(448)	(708)
	(292,885)	(129,087)	(421,972)
GST Paid	(25,708)	(28,724)	(54,432)
Closing Available Cash	$ 95,372	$ 142,961	$ 238,333