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

SEVENTH REPORT OF THE RECEIVER ERNST & YOUNG INC.

November 16, 2009

1408505.v2

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 ("Interim Receiver Appointment Date").

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

a. An update as to the activities of the Receiver for the period of March 16, 2009 to October 23, 2009 (the "Reporting Period"), including the results of the auction (the "Auction") of the Defendants' machinery and equipment held June 26, 2009;

b. The Receiver's Statement of Receipts and Disbursements for the Reporting Period;

c. Authorizing the Receiver to make a distribution to the remaining secured creditors of the Defendants to the extent of their proven secured claim against the Defendants, as more fully described below;

d. The Receiver's estimate of the remaining Unsecured Creditors' Fund (defined and discussed below) which would be available to the unsecured creditors of the MSF Defendants and Bassem, jointly;

e. The application to this Honourable Court seeking advice and directions to the Receiver with respect to certain creditors claiming to hold security over assets of the Defendants where the Receiver with assistance from the Receiver's legal counsel believes there may be an issue with respect to whether these creditors hold a valid security interest against the Defendants;

f. The application to this Honourable Court seeking an amendment to the MSF Appointment Order and the Bassem Appointment Order authorizing the Receiver to assign MSF and Bassem into bankruptcy to facilitate a claims process and distribution of the Defendants funds, if any, held by the Receiver to the unsecured creditors of the Defendants;

g. Authorizing the Receiver to sell a hay trailer (the "Hay Trailer") owned by the Defendants that could not be sold at the Auction as the Hay Trailer was registered in a name which the Receiver understands is Mrs. Bastiaansen's maiden name; and

h. Recommendations of the Receiver.

BACKGROUND

7. 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. The MSF's operations consist 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.

8. 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.

RECENT ACTIVITIES OF THE RECEIVER

Realization on assets

9. Upon the appointment of the Receiver, the Defendants' assets included:

   a. Cash on hand;

   b. Inventories of potatoes stored in the storage bins owned by the MSF Defendants (the "Potato Inventory");

   c. Certain other crop inventories stored on the MSF Defendants site ("Other Inventories");

   d. Certain accounts receivables relating to the sale of inventories;

   e. The MSF Machinery and Equipment which was owned by the MSF Defendants;

   f. The MSF Land and Building that was owned by the MSF Defendants;

g. Certain machinery and equipment that was owned by Bassem; and

h. Certain equipment where the beneficial ownership was in dispute or was subject to lease and/or financing arrangements.

10. The Receiver has now completed the sale and recovery of the majority of the Defendant's assets including:

a. Completing the sale of the MSF Lands and Buildings as described in the second report of the Receiver dated April 22, 2009 and approved by an Order of this Honourable Court dated April 29, 2009;

b. Completing the sale of the Potato Inventory and Other Inventory;

c. Collecting insurance proceeds from the Agriculture Financial Services Corporation (the "AFSC Crop Insurance Proceeds") as a result of hail damage to the Defendant's 2008 Crop Inventory;

d. Collecting the accounts receivable of the Defendants; and

e. The completion of the sale of Defendants' machinery and equipment at the Auction on June 26, 2009 by Ritchie Bros. Auctioneers (Canada) Ltd. ("Ritchie"), as discussed in further detail below and as described in the third report of the Receiver dated May 4, 2009 (the "Third Report") and the fifth report of the Receiver dated June 17, 2009 (the "Fifth Report") and approved by Orders of this Honourable Court dated June 23, 2009.

11. Further details of the Receiver's recovery results and related expenses are set out below. The only remaining asset to be recovered relates to a GST receivable in the expected amount of $50,000 and the proceeds from the Hay Trailer.

12. The only remaining significant task of the Receiver is to distribute the remaining funds to the relevant creditors.

Settlement Agreement

13. As previously reported by the Receiver, the operations of MSF and Bassem were to be combined on a joint venture basis in about, the spring of 2007 (the "Joint Venture"); however, the Joint Venture arrangement was never fully documented or implemented resulting in the following issues:

    a. The operating line of MSF continued to be used to fund the Joint Venture's operations;

    b. Contracts continued in the names Bassem, MSF and certain of the MSF Defendants and were not transferred or assigned to the Joint Venture;

    c. Suppliers continued to supply service in the names of the MSF Defendants and Bassem;

    d. Collection of funds and payments were commingled into a single bank account when certain of the underlying transactions related to periods prior the intended Joint Venture arrangement; and

    e. The books and records were not adequately maintained to reflect the intended Joint Venture arrangement or the fact that the Joint Venture arrangement was never formalized.

14. As a result of the above issues, certain ownership disputes resulted between Bassem, the MSF Defendants and certain of the secured creditors of both parties, including the National Bank of Canada (the "National Bank"). In particular, Bassem and the MSF Defendants had certain competing claims as to the Potato Inventory, Other Inventory and certain other assets. National Bank had provided a secured loan to MSF prior to the establishment of the intended Joint Venture and National Bank took the position that its security covered, among other assets, the Potato Inventory and Other Inventory. Bassem disputed this claim.

15. In addition, given the commingling of funds and books and records as between the Joint Venture, the MSF Defendants and Bassem, it was difficult if not impossible to segregate the unsecured

creditor who had provided services to the farming operation and to which debtor these services were provided.

16. The Receiver prepared a detailed report dated May 20, 2009 (the "Fourth Report") which reported on the beneficial ownership issues of the various inventories, the funding of the operations of the intended Joint Venture along with various other matters. Subsequent to the completion of the Fourth Report, the Receiver continued discussions with Bassem and the National Bank and ultimately a settlement agreement (the "Settlement Agreement") was reached which was approved by this Court on June 23, 2009 (the "Settlement Approval Order"). The Settlement Agreement and Settlement Approval Order:

   a. 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 and related receivables, and MSF obtaining at 48.2% beneficial interest in the same assets;

   b. approved an allocation of the general operating and receivership costs between Bassem and MSF, with the general (non-direct) costs being allocated in the same percentage as the inventories;

   c. appointed Ernst & Young Inc. as Receiver and Manager over Bassem to facilitate the distribution of Bassem's net beneficial interest (after allocation of costs) in the Potato Inventory, Other Inventory and other related assets as provided for in the Settlement Agreement to its secured creditors, with the remaining funds, if any, to form the "Bassem Surplus";

   d. authorized the Receiver to distribute the net proceeds of the sale of the MSF Defendants assets (comprising the MSF Lands and Buildings, the MSF Machinery and Equipment and the share of the Potato Inventory and Other Inventory) to the secured creditors of the MSF Defendants, with the remaining funds, if any, to form the "MSF Surplus"; and

e. The Bassem Surplus and MSF Surplus, if any, were to be pooled together to form the unsecured creditors' fund (the "Unsecured Creditors' Fund") which was to be distributed on pro rata basis to all of the unsecured creditors of Bassem and the MSF Defendants jointly.

17. In accordance with the Settlement Approval Order, on July 29, 2009 the Receiver has paid the National Bank, the priority ranking secured creditor of the MSF Defendants, in the amount of $5,832,353 and on August 14, 2009 the Receiver paid Mr. Semkuley the amount of $338,489.

18. A further $107,671 has been paid by the Receiver to the Canada Revenue Agency relating to employee source deductions relating to the pre-Receivership Period.

19. The Receiver's counsel has now completed its security review of the remaining secured creditors of the MSF Defendants and Bassem and is recommending a payment to the remaining secured creditors as is more fully set out below, with the remaining funds to form the Unsecured Creditors' Fund and ultimately to the unsecured creditors of Defendants.

STATEMENT OF RECEIPTS AND DISBURSEMENTS

20. The statement of receipts and disbursements for the Reporting Period is set out in the table below.

Statement of Receipts and Disbursements - Receivership
Period of March 16, 2009 to October 23, 2009

	MSF Defendants	Bassem	Total
Receipts			
Opening cash	86,896	97,206	184,102
Potato Inventory and Other Inventory	456,891	511,099	967,990
Receipt of AFSC Crop Insurance	195,152	218,306	413,458
Auction proceeds - MSF Defendants	1,157,191	-	1,157,191
Auction proceeds - Bassem	-	432,302	432,302
MSF Land and Buildings	4,989,964	-	4,989,964
	6,886,094	1,258,913	8,145,007
Disbursements			
Distribution to Secured Creditors			
National Bank of Canada	(5,832,353)	-	(5,832,353)
Walter Semkuley	-	(338,489)	(338,489)
Canada Revenue Agency (Source Deductions)	(50,821)	(56,850)	(107,671)
	(5,883,173)	(395,339)	(6,278,512)
Professional Fees			
Receiver's Fees (direct)	(254,404)	-	(254,404)
Receiver's Legal Counsel's Fees (direct)	(79,026)	-	(79,026)
Allocated professional fees	(70,466)	(78,826)	(149,292)
	(403,896)	(78,826)	(482,722)
Operating Costs			
Consulting Fees and contracting fees	(94,191)	(85,289)	(179,480)
Repairs and Maintenance	(7,080)	(7,920)	(15,000)
Auction repair and maintenance	(107,799)	-	(107,799)
Trucking	(12,166)	(13,610)	(25,776)
Utilities	(10,013)	(11,201)	(21,214)
Accounting - Retainer and Fees	(6,006)	(6,719)	(12,725)
Appraisal Fees	(7,624)	-	(7,624)
Security	(5,824)	-	(5,824)
Administrative Fees	(481)	-	(481)
Other	(60)	(68)	(128)
	(251,245)	(124,806)	(376,051)
Closing Available Cash	347,780	659,941	1,007,721

21. The statement of receipts and disbursements has been prepared by allocating the receipts and disbursements as between the MSF Defendants and Bassem in order to determine the relative

funds available to be distributed to the respective secured creditors with the remaining funds to be pooled to form the Unsecured Creditors' Pool.

Receipts

22. 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. Cash on hand represents funds that were seized by the Receiver upon its appointment. The cash on hand has been allocated between the MSF Defendants and Bassem based on the Settlement Allocation;

   b. Approximately $968,000 in proceeds were 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 based on the Settlement Allocation;

   c. Approximately $413,000 in insurance proceeds were recovered by the Receiver from the AFSC relating to crops damaged in 2008. The insurance proceeds were allocated between Bassem and the MSF Defendants based on the Settlement Allocation;

d. Net proceeds of $1,157,191 were received by the Receiver resulting from the auction of the MSF Machinery and Equipment as set out in the table below;

Actual Results of First Auction Contract	
Gross Auction Proceeds	1,341,950.00
Ritchie's commission	(182,790.00)
General and Administrative Fees	(1,969.26)
Net Auction Proceeds	1,157,190.74

e. An additional $432,000 in proceeds have been recovered by the Receiver from the auction proceeds of certain additional equipment owned by Bassem and other parties as set out in the table below. The auctioneer is holding back net proceeds of $21,310 received from the sale of two pieces of equipment due to clerical issues however the Receiver anticipates receiving these proceeds shortly.

Auction proceeds of the other assets	
Gross Auction Proceeds	504,750
Ritchie's commission	(50,475)
General and Administrative Fees	(664)
Net Auction Proceeds	453,612
Less: funds held by auctioneer	(21,310)
Net proceeds received	432,302

f. Approximately $4,990,000 was recovered by the Receiver from the sale of the MSF Lands and Buildings.

Disbursements

23. During the Reporting Period, the Receiver has disbursed $6,278,512 to secured creditors, $482,721 in professional fees and $376,051 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 Settlement Approval Order. National Bank's security related to the assets of the MSF Defendants and was, accordingly, deducted from the recoveries related to the MSF Defendants;

    b. Payments of $338,489 to Mr. Semkuley pursuant to the Settlement Approval Order. Mr. Semkuley's security was registered against the assets of Bassem and, accordingly, was deducted from the recoveries related to Bassem;

    c. $107,671 was paid to the Canada Revenue Agency (the "CRA") for outstanding employee source deductions owing by the MSF and Bassem 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;

    d. 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 Settlement Approval Order. A further $149,292 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;

    e. 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 approximately $108,000 in repairs and maintenance required to the MSF Machinery and Equipment and appraisal fees relating to MSF's assets.

24. As set out in the table above, approximately $1.0 million in funds remain in the Receiver's bank account, of which $348,000 relate to the MSF Defendants and $690,000 to Bassem. These remaining funds 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

25. The table below summarizes the current cash on hand (see schedule of Receipts and Disbursements above) along with the estimated remaining recoveries and expenses and proposed distributions to the remaining secured creditors resulting in the estimated Unsecured Creditors' Fund.

Calculation of Unsecured Creditors' Pool			
	MSF Defendants	Bassem	Total
Cash on hand	347,780	659,941	1,007,721
Remaining assets (Ritchies)	7,810	13,500	21,310
GST collection	23,600	26,400	50,000
Remaining professional fees	(34,320)	(31,680)	(66,000)
Funds available before distribution	344,870	668,161	1,013,031
Distribution to remaining Secured Creditors			
Transwest Financial Services Corp.	-	(292,630)	(292,630)
Farm Credit Canada	(14,000)	(140,140)	(154,140)
Lakeside Fertilizer	(26,000)	-	(26,000)
Friesland Farms Ltd.	(304,870)	-	(304,870)
			-
Unsecured Creditors' Fund	**-**	**235,391**	**235,391**

26. The schedule above indicates cash on hand of $347,780 for the MSF Defendants and $659,941 for Bassem, for a total cash balance of approximately $1.0 million. A further $21,310 is expected to be received from Ritchies for the proceeds from the sale of an asset owned by Bassem. The Receiver anticipates filing a GST return that will result in a recovery of approximately $50,000 which is allocated between MSF and Bassem based on the Settlement Allocations.

27. Approximately $337,060 in expected funds are available for distribution to the remaining secured creditors of the MSF Defendants which comprise the following secured creditors:

a. Farm Credit Canada;

b. Lakeside Feeders Ltd. o/a Lakeside Fertilizer; and

c. Friesland Farms Ltd.

28. Approximately $675,971 in expected funds are available for distribution to the remaining secured creditors of Bassem which comprise the following secured creditors:

a. Transwest Financial Services Corporation; and

b. Farm Credit Canada.

29. The basis for payment to each of these secured creditors will be discussed below.

Farm Credit Canada ("FCC")

30. FCC entered into a security agreement (the "FCC Freightliner Security Agreement") with Mr. Bastiaansen and Mr. Semkuley which granted FCC a security interest in four freightliner trucks which were owned by Bassem (the "Bassem Freightliners") and a second security agreement (the "FCC Equipment Security Agreement") with Mr. Bastiaansen granting FCC a security interest in a Loral fertilizer spreader (the "Loral Spreader"), Morris air seeder (the "Air Seeder") and a freightliner truck (the "MSF Freightliner").

31. The Receiver's Legal Counsel reviewed the FCC Freightliner Security Agreement and concluded that FCC had valid security over the Bassem Freightliners. Upon the Receiver concluding there was no equity in the FCC Freightliner Security Agreement, the Receiver contacted FCC to obtain consent to include the Bassem Freightliners in the Auction. FCC provided consent to include the Bassem Freightliners in the auction. The net auction proceeds (after commissions) from the sale of the Bassem Freightliners was $140,140 and this amount is included in the current cash on hand of Bassem and the Receiver is recommending that this amount be paid to the FCC.

32. The Air Seeder and the MSF Freightliner were included in the Auction and the related proceeds are included in the remaining cash on hand of the MSF Defendants. However the Receiver did not take possession of the Loral Spreader as it was not on site at the MSF Land and Buildings when the Receiver took possession of the Defendants' assets pursuant to the MSF Appointment Order. The Receiver has informed FCC that the Loral Spreader was not located on the MSF Lands as at the Receiver's Appointment Date, and the Receiver's inventory of the equipment did not note the Loral Spreader.

33. The Receiver's Legal Counsel reviewed the FCC Equipment Security Agreement and concluded that FCC had valid security over the MSF Freightliner. However, Receiver's Legal Counsel concluded that FCC did not have first charge security over the Air Seeder as the FCC Equipment Security Agreement is dated July 20, 2007, and the FCC registered its security interest in the Personal Property Registry on July 30, 2007, but Park Lake Dairy Farms Limited ("Park Lake") registered security over all Mr. Bastiaansen's present and after acquired personal property (including the Air Seeder) on July 23, 2009. FCC has not been able to provide evidence that it has a purchase money security interest in the Air Seeder.

34. The Receiver received the amount of $14,000 for the MSF Freightliner, and the Receiver recommends that this amount be distributed from the MSF Defendants' cash on hand in addition to the $140,140 in sale proceeds for the Bassem Freightliners.

Lakeside Feeders Ltd. o/a Lakeside Fertilizer ("Lakeside")

35. Lakeside entered into a security agreement (the "Lakeside Security Agreement") with Mr. Bastiaansen which granted Lakeside a security interest in a 2003 Fendt Tractor (the "2003 Fendt Tractor") and a Lamken Air Seed Drill (the "Air Seed Drill").

36. The Receiver took possession of the Air Seed Drill following its appointment. However, the 2003 Fendt Tractor was not located on the MSF Lands by the Receiver.

37. The Receiver's Legal Counsel reviewed the Lakeside Security Agreement and concluded Lakeside had valid security over the Air Seed Drill.

38. The Receiver received the amount of $26,000 for the Air Seed Drill and recommends distributing $26,000 to Lakeside in satisfaction of the Lakeside security interest in the Air Seed Drill.

Park Lake Diary Farms Ltd. ("Park Lake") and Friesland Farms Ltd. ("Friesland")

39. On July 21, 2006 Park Lake advanced $1,000,000 to Mr. and Mrs. Bastiaansen, in exchange for a promissory note, a general security agreement, and a Collateral Mortgage ("the Collateral Mortgage") granted to Park Lake by Mr. and Mrs. Bastiaansen against the MSF Land.

40. The debt and associated security was assigned by Park Lake to Friesland Farms on April 30, 2008, and a transfer of the Collateral Mortgage from Park Lake to Friesland Farms was executed and registered in the Land Titles Office in March 2009.

41. The Collateral Mortgage was subordinate to the mortgage in favour of the National Bank in the MSF Lands. As National Bank has been paid in full, the Receiver is of the view that, under marshalling principles, Friesland Farms has therefore become subrogated to the National Bank's security position against the MSF Defendants, and therefore has a first priority security position over the balance of the MSF assets.

42. Accordingly, the Receiver recommends distributing the remaining funds allocated to MSF Defendants, which is estimated to total $304,870, to Friesland Farms, as it has first charge security covering all the remaining assets of MSF Defendants.

Transwest Financial Services Corp. ("Transwest")

43. Transwest entered into an agreement (the "Transwest MSF Lease Agreement") with certain of the MSF Defendants to lease MSF a 2007 Fendt tractor (the "2007 Fendt Tractor") and a second agreement (the "Transwest Bassem Lease Agreement") with Bassem to lease Bassem a Double L harvester (the "Harvester") and John Deere sprayer (the "Sprayer").

44. The Receiver received a proof of property claim from Transwest on May 5, 2009 claiming ownership over the 2007 Fendt Tractor and pursuant to the Receiver's legal counsel reviewing the proof of property claim and Transwest MSF Lease Agreement, the Receiver's legal counsel concluded that Transwest had valid security over the 2007 Fendt Tractor. Upon the Receiver

calculating there was no equity in the Transwest MSF Lease Agreement, the Receiver released possession of the 2007 Fendt Tractor to Transwest.

45. During the initial receivership period, the Receiver was also aware through discussions with Mr. Bastiaansen and review of the lease agreement that the Harvester and Sprayer were leased from Transwest by Bassem. The Receiver's Legal Counsel reviewed the Transwest Bassem Lease Agreement and concluded that Transwest had valid security over the Harvester and Sprayer. The Receiver determined there was no equity within the Transwest Bassem Lease. The Receiver then contacted Transwest to obtain consent to include the Harvester and Sprayer in the auction. Transwest provided consent to include the Harvester and Sprayer. At the auction, the Harvester sold for the gross amount of $165,000 and the Sprayer sold for the gross amount of $160,000. Net of Ritchie's 10% commission and $65.00 documentation fee per piece of equipment, the Receiver received combined net proceeds of $292,630 for the Harvester and Sprayer.

46. The Receiver recommends distributing $292,630 to Transwest as the Receiver's Legal Counsel has opined that Transwest has valid and enforceable security over the Harvester and Sprayer.

Unsecured Creditors' Fund

47. After taking into account the proposed distributions to the remaining secured creditors, the Unsecured Creditors' Fund is estimated to total approximately $236,000, which would be used to distributed to the unsecured creditors of the MSF Defendants and Bassem, on a joint basis.

CREDITORS WITH DISPUTED SECURED CLAIMS

48. The Receiver has been contacted by several creditors of the Defendants who have claimed to rank in priority to the unsecured creditors of the Defendants. The Receiver's legal counsel has reviewed the associated security documents, is of the opinion that these various creditors do not have a secured claim, and the Receiver is therefore seeking the advice and direction from this Honourable Court with respect to these creditor claims, details of which are set out below.

Transwest

49. In addition to the Transwest secured claims discussed above, Transwest is claiming, pursuant the document ("the Transwest Agreement") which Transwest has provided to the Receiver which is attached as Appendix "A" to this Report, to have a security interest in the additional ten pieces of the MSF Machinery and Equipment (the "Transwest Disputed Equipment") which are described on the "Schedule A" to the Bill of Sale which forms part of the Transwest Agreement. The Receiver advises that it appears that certain items of the Transwest Disputed Equipment were sold in the Auction; however, the Receiver could not fully reconcile the listing of the Transwest Disputed Equipment to the Receiver's listing due to differences in asset descriptions and incorrect serial numbers set out in the Transwest Agreement.

50. This Schedule A claims to be form part of the Lease Contract between Transwest and MSF, but:

    a. the goods list in Schedule A are not listed in the Lease;

    b. the Schedule A is part of a Bill of Sale suggesting that the Transwest Disputed Equipment was sold from MSF to Transwest. Yet the Receiver has been unable to identify and Transwest has been unable to demonstrate any transfer of funds from Transwest to any of the Defendants, and the Transwest Disputed Equipment remained in MSF's possession and were being used by MSF. All of this which would suggest that there was some sort of undocumented leasing arrangement from Transwest to MSF for the Transwest Disputed Equipment, which is a transaction to which the PPSA applied;

    c. the letter from Transwest's counsel clarifies that the Bill of Sale was taken as "additional security", and therefore was clearly a transaction to which the PPSA applied; and

    d. notwithstanding that this was clearly a security arrangement, Transwest did not register any security over the Transwest Disputed Equipment in the Personal Property Registry.

51. Given all of the foregoing, the Receiver is of the view that Transwest does not have a secured claim against the Transwest Disputed Equipment which would take priority over prior secured creditors against this same equipment, and accordingly Transwest does not have an enforceable security interest in the Transwest Disputed Equipment.

Vandenende Machinebouw B.V. ("Vandenende")

52. The Receiver was contacted by Vandenende in March of 2009, who was asserting ownership over two Mullie dumpers (the "Mullies") and six conveyors (the "Conveyors") Mr. Bastiaansen had purchased from Vandenende in Holland and transported to the MSF Land. Mr. Bastiaansen provided Vandenende a personal cheque as a deposit for the Mullies and Conveyors, and his personal cheque was subsequently dishonoured by the bank.

53. As Vandenende did not reserve any security interest in the Mullies of Conveyors, or effect any registration in the Personal Property Registry, the Receiver has concluded that Vandenende does not have any security or ownership interest in the Mullies or Conveyors and would seek confirmation from the Court to this effect.

AUTHORIZATION TO SELL HAY TRAILER

54. Pursuant to the Order of the Honourable Madam Justice C. A. Kent dated May 12, 2009 and described in the Third Report, the Receiver executed the First Auction Contract with Ritchie's to auction the machinery and equipment of the MSF Defendants on June 26, 2009.

55. Subsequent to the Auction, Ritchies informed the Receiver that the Hay Trailer, a 1999 Great Dane Step Deck Trailer (serial number – 1GRDM0637XM033006), that Mr. Bastiaansen had previously advised the Receiver prior to the Auction was owned by the MSF Defendants was in fact registered in the name of Verhoeven Wilhelmus P. ("Mrs. Wilhelmus"). The Receiver was unable to provide Ritchies with confirmation that the Hay Trailer was owned by the MSF Defendants and therefore the Hay Trailer was excluded from the Auction and continues to be in the possession of the Receiver.

56. The Receiver has been informed by its consultant, who operated the potato farm prior to the MSF Land and Buildings being sold, that Mrs. Wilhelmus is the maiden name of Mrs. Bastiaansen and was informed by Mr. Bastiaansen that the Hay Trailer was owned by the MSF Defedants, and the Receiver is therefore of the view that that Hay Trailer is owned by Mrs. Bastiaansen. The Receiver has not been contacted by any other parties claiming ownership of the Hay Trailer. The Receiver is therefore requesting the Court's permission to realize on the Hay Trailer for the benefit of the Defendants' creditors.

RECOMMENDATIONS

57. The Receiver recommends that this Court authorize the Receiver to make the following distributions to the remaining secured creditors of the Defendants:

   a. $292,630 to Transwest;

   b. $154,140 to FCC;

   c. $26,000 to Lakeside Fertilizer; and

   d. Estimated $304,870 to Friesland Farms Ltd.

58. The Receiver further recommends that this Court declare that, apart from the foregoing, there are no other secured creditors in any of the Defendants' estates, and that, in particular, and apart from the foregoing, and claims that Transwest, Vandenende, or any other creditors may have against any of the Defendants are unsecured claims.

59. The Receiver further recommends that the Court amend the MSF Appointment Order and Bassem Appointment Order to authorize the Receiver to assign MSF and Bassem into bankruptcy to facilitate the completion of a claims process which would allow the Receiver to identify all unsecured creditors of MSF or Bassem and complete a distribution of the estimated Unsecured Creditors' Fund of $236,000 to those creditors.

60. The Receiver recommends that the Court approve the sale of the Hay Trailer.

All of which is respectfully submitted this 16th day of November, 2009.

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

Deryck Helkaa, CA•CIRP
Senior Vice-President

Peter Chisholm, CA
Manager

Appendix A

GREGORY C. EMPSON PROFESSIONAL CORPORATION

BARRISTER AND SOLICITOR

1720, 10123 - 99 Street
Edmonton, Alberta, T5J 3H1
Phone (780) 424-9558
Fax (780) 424-5852
E-mail: galson@shaw.ca

OUR FILE: 09.1091
YOUR FILE:

June 22, 2009 VIA FAX

Macleod Dixon LLP
Barristers and Solicitors
3700, 400 Third Avenue SW
CALGARY, Alberta
T2P 4H2

ATTENTION: RANDAL A. VAN DE MOSSELAER

Dear Sir:

RE: Transwest Financial Services Corp./
McGillivray & Sera Farms Ltd./Ernst & Young

I am enclosing for your attention and information copies of the following documentation:

1. Sales Agreement - Hanlon AG Centre Ltd. to Transwest Financial Services Corp.
2. Bill of Sale dated March 28, 2008 - McGillivray & Sera Farms Ltd. et al to Transwest Financial Services Corp.
3. Security Agreement.
4. Lease.

The Fendt tractor was erroneously included in the Bill of Sale. That tractor was not at any time owned by McGillivray & Sera Farms Ltd. but was in fact owned by Transwest and leased to McGillivray & Sera Farms Ltd. et al. The Bill of Sale was taken as additional security which is standard practice given the credit worthiness of the Lessee. The consideration as stated in the Bill of Sale was the amount advanced to and on behalf of McGillivray & Sera Farms Ltd. et al.

We trust this is satisfactory.

Yours truly,

GREG C. EMPSON

GCE/elc
Enclosures
cc: Transwest Financial Services Ltd.

06-22-09 10:24 From-Greg Empson +7804245852 T-339 P.002/013 F-085

[illegible]/2008 10:54 2504481695 LARRY GRAY PRIVATE
[illegible]-13-2008(WED) 11:30 Hanlon Ag Centre Lethbridge AB. (FAX) 320 1497 P.002/002

SECURITY AGREEMENT (CONDITIONAL SALE)

Date: Feb 5/08 Location: Lethbridge AB.	Purchaser: Trans West Financial Services Corp
HANLON AG CENTRE LTD.	Address: #105, 6030 - 88th Street
Address: 3000 - 18 Ave. North, Lethbridge, Alta. T1H 5V2	Edmonton Alberta
Phone: (403) 329-8686 GST Registration No. R102268204	T6E 6G4

Seller hereby sells and the undersigned Purchaser hereby purchases on the terms and conditions set forth hereunder and on the reverse side hereof the following goods with all attachments and equipment (hereinafter called the "property") delivery and acceptance of which is hereby acknowledged by the Purchaser in good condition and as ordered.

POWER WARRANTY

Seller hereby warrants that the new machinery or equipment (or the engine or motor forming part thereof) if properly maintained and operated under suitable conditions, is capable of developing ______ horse power at the belt ☐ power take off ☐ drawbar ☐ or at the ______ (check one).

♦ NO WARRANTY ON USED EQUIPMENT UNLESS SPECIFIED ON REVERSE SIDE ♦

Quantity	New/Used	Property Description (Make, Model, Type, Size)	Serial No.	Amount
1	New	2007 Fendt 936 Tractor Profi Model	934/28/1255	365,400.00
		Rockshaft Standard, Vario Trans (0-31 MPH), TMS + TI,		
		Air Trailer Brakes, Hyd Trailer Brakes, 4 Hyd Valves		
		Row Crop Tires Front & Rear Duals Spacers for		
		30" Rows Comfort Front Powerlink, Radar Gauge for TMS		
		Sw Auto Climate Control, Working Lights Front, Rear Ext Mirrors,		
		Integral Mirror, Exhaust Brake, Autoguide Rotary	SUB TOTAL	365,400.00
		Kit, Autoguide 2.0 Disk Kit (CM Accuracy)	G.S.T.	18,270.00
			SUB TOTAL	
		3YR/3000 HR Warranty	PROV TAX	
			ENVIRONMENT LEVY (B.C.)	
			TOTAL CASH SELLING PRICE	$383,670.00

Quantity	Trade-In Description (Make, Model, Type, Size)	Serial No.	Amount
	N/T		
	Ship to Bastiaansen, Jos Adrianus & Cornelis Alvysia.		
	NW 1/4 Sec 1 Twp 10 Rge 11 W4M		
	McGillivray & Scea Farms Ltd.		
	Box 59	SUB TOTAL	
	Bow Island, AB	G.S.T.	
	T0K 0G0	SUB TOTAL	
		PROV. TAX	
		ENVIRONMENT LEVY (B.C.)	
		TOTAL TRADE-IN ALLOWANCE	
		LESS ENCUMBRANCE	
		NET TRADE-IN ▶	

♦ ANALYSIS OF SALE ♦

1. TOTAL CASH SELLING PRICE .... $ 383,670.00
2. LESS ANY DISCOUNT ALLOWED .... $ —
3. TOTAL CASH PRICE (1-2) .... $ 383,670.00
4. CASH .... $ 78,750.00 (3750 + 75000)
5. NET TRADE-IN ... $ —
6. TOTAL CASH AND ALLOWANCE .... $ 78,750.00
7. UNPAID BALANCE (3-6) .... $ 304,920.00

SCHEDULE OF PAYMENTS

Due Date	Amount
ON DELIVERY	

SUBJECT TO MANAGEMENT APPROVAL

Machine	Distributor/Manufacturer	Address
	(*290,400.00 N-GST)	

I, ______ DO HEREBY CERTIFY THAT I AM A BONA FIDE FARMER, AS DEFINED IN THE REGULATIONS UNDER THE "SOCIAL SER. VICES TAX ACT" AND I AM PURCHASING THE TANGIBLE PERSONAL PROPERTY FOR WHICH EXEMPTION IS CLAIMED TO BE USED SOLELY FOR THE NEEDS OF MY FARM. PER ______ PURCHASER'S FARM NUMBER/EXEMPTION

THE PURCHASER ACKNOWLEDGES RECEIPT OF A TRUE COPY OF THIS AGREEMENT AND ACCEPTS THE TERMS AND CONDITIONS SET FORTH ABOVE AND ON THE REVERSE SIDE HEREOF.

SELLER (SECURED PARTY) [signature] SIGNATURE OF AUTHORIZED REPRESENTATIVE

GUARANTOR AND WITNESS TO PURCHASER'S SIGNATURE

[signature] PURCHASER'S SIGNATURE (if a corporation, duly authorized representative's signature)

PURCHASER'S SIGNATURE

PURCHASER'S WITNESS

TRANSWEST FINANCIAL SERVICES CORP.
#108, 60__ 8TH Street, Edmonton, Alberta T6E 6G1

LEASE EQAM200802
SCHEDULE:03062008

ATTACHED TO AND FORMING PART OF LEASE AGREEMENT EQAM200802 ("LEASE AGREEMENT") DATED AS OF THE 26 DAY OF MARCH, 2008 BETWEEN: TRANSWEST FINANCIAL SERVICES CORP. ("LESSOR") AND MCGILLIVRAY & SERA FARMS LTD. & ADRIANUS JOHANNES BASTIAANSEN & CORNELIA BASTIAANSEN ("LESSEE(S)")

Lessor hereby agrees to lease to Lessee and Lessee hereby agrees to lease from Lessor, upon and subject to the terms, conditions and provisions set forth in this Lease Schedule ("Schedule") and in the above referred to Lease Agreement, the Equipment described or identified below (the "Equipment"). Any capitalized term not defined herein shall have the meaning ascribed to it in the Lease Agreement.

EQUIPMENT DESCRIPTION

ONE NEW 2007 FENDT TRACTOR MODEL 936 COMPLETE WITH ALL ACCESSORIES HAVING A SERIAL NUMBER 934221255

LOCATION OF EQUIPMENT: NW ¼, SEC 1, TWP 10, RANGE 11, WEST OF THE 4TH MERIDIAN, BOW ISLAND, ALBERTA

1. TERM AND RENTAL PROVISIONS
Lease Term: 60 Months
Lease Commencement Date: MARCH 24, 2008
Rentals 60 Equal Monthly Payments of $8,321.29
(If Rentals are other than equal throughout term, use "PERIODIC RENTAL SCHEDULE" below)

FIRST RENTAL DUE: MARCH 24, 2008
FINAL RENTAL DUE: FEBRUARY 24, 2008

TOTAL PERIODIC RENTAL SCHEDULE
(i) _____ Rentals at $ __________ each
(ii) _____ Rentals at $ __________ each
(iii) _____ Rentals at $ __________ each
(iv) _____ Rentals at $ __________ each
(v) _____ Rentals at $ __________ each
(vi) _____ Rentals at $ __________ each
All Rentals subject to applicable taxes

SECURITY DEPOSIT $ 0.00

2. PURCHASE OPTION: Lessee shall, when not in Default under the Lease Agreement and upon 60 days' prior written notice to Lessor, is hereby granted the option to purchase all but not less than all of the Equipment on the date(s) and for the price(s) ("Option Price") referred to below subject to the terms and conditions of the Lease Agreement:

(a) on for the sum of One Canadian Dollar ($1.00) receipt hereby for which is acknowledged together with the Rental and other amounts due under this Schedule or the Lease Agreement

On Lessor's receipt of the Option Price in cash, plus sales and other taxes, if applicable, the Equipment will be sold to Lessee in its then condition, quantity and location, on an "as is, where is" basis, free and clear of liens, charges or encumbrances created by Lessor, without further warranties or representations whatsoever, express or implied, on the part of Lessor.

3. RENTAL ADJUSTMENT. If the Rentals are calculated based upon a variable rate of interest, then the actual amount payable by Lessee will increase or decrease according to the terms set forth on Schedule "B" attached hereto which are incorporated by reference and form part of this Schedule.

4. AGREEMENT. This Schedule shall be deemed to take effect and form part of the Lease Agreement pursuant to Section 1 thereof on the date Lessor receives a fully completed Equipment Acceptance Certificate duly executed by Lessee in form and content acceptable to Lessor, in Lessor's sole discretion, and an invoice from the supplier of the Equipment which is the subject of such Equipment Acceptance Certificate with such invoice designating Lessor as purchaser and owner of Equipment. Lessee hereby authorizes Lessor to insert as the lease Commencement Date the date Lessor receives an executed Equipment Acceptance Certificate and, where applicable, the serial number of the Equipment. Lessee hereby agrees that the Equipment located at the above location shall not be removed without prior written notice to the Lessor.

5. The present document has been written in the English language at the express request of the parties. Le present document a ete redige en langue anglaise a la demande des parties.

6. Additional Provisions:

This Schedule is made as of the 6th day of , 2008

Transwest Financial Services Corp.

Per: ______________________

Name / Title: WAYNE WALD, PRESIDENT

LESSEE(S):
MCGILLIVRAY & SERA FARMS LTD. & ADRIANUS JOHANNES BASTIAANSEN & CORNELIA BASTIAANSEN

Per ______________________ Title ________
Adrianus Johannes Bastiaansen for McGillivray & Sera Farms Ltd.

Per ______________________ Title ________
Cornelia Bastiaansen for McGillivray & Sera Farms Ltd.

Per ______________________
Adrianus Johannes Bastiaansen

Per ______________________
Cornelia Bastiaansen

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TRANSWEST FINANCIAL SERVICES CORP.
#108, 6030 - 99[TH] Street, Edmonton, Alberta Canada [illegible] 3G4

Master Lease: [illegible]

LESSEE: MCGILLIVRAY & SERA FARMS LTD. & ADRIANUS JOHANNES BASTIAANSEN & CORNELIA BASTIAANSEN

ADDRESS: NW ¼ SEC 1, TWP 10, RANGE 11, WEST OF THE 4[TH] MERIDIAN, BOX 39, BOW ISLAND, ALBERTA T0K 0G0

TELEPHONE: 403-54-6411 **FAX:** 403-545-6420 **CELL:** 403-952-0601 **EMAIL:** basjes@telusplanet.net

This Master Lease Agreement ("Agreement"), including the terms and conditions on the reverse side hereof and any Schedules hereto, correctly sets forth the entire agreement between Transwest Financial Services Corp. ("Lessor") and Lessee. No agreements or understandings shall be binding on either of the parties hereto unless in writing and executed by the parties hereto.

1. LEASE. Lessor hereby leases to Lessee and Lessee hereby leases from Lessor the personal or movable property (the "equipment") described in the Lease Schedule(s) (the "schedule") executed and to be executed by the parties and attached hereto form part hereof. Each Schedule shall constitute a separate lease of Equipment and the provisions hereof will be deemed to be a part thereof. In contemplation of entering into a Schedule with respect to certain Equipment, Lessor and Lessee may enter into an Interim Funding Agreement providing for the acquisition of such Equipment by Lessor and at the request of Lessee.

2. TERM AND RENTAL. The term of the Lease for any Equipment ("Lease Term"), its commencement date ("Lease Commencement Date") and the amount of the rental ("Rental"), together with the sales tax and goods and services tax thereon, if applicable, and the terms of payment thereof, will be as provided in the Schedule related to such Equipment. Lessee's obligation to pay rental and other amounts owing under a Schedule or hereunder shall be absolute and unconditional without any claim of setoff or compensation by Lessee. Lessee shall not be permitted to prepay its Rentals or other obligations. Lessee shall on the Lease Commencement Date pay Lessor the number of advance rentals, if any, set forth in the Schedule, such advance rentals shall not constitute a security deposit and shall not be refundable to Lessee under any circumstances, but shall be applied by Lessor against subsequent Rental in reverse order of maturity.

3. USE. Lessee will cause the Equipment to be operated in accordance with any applicable manufacturer's manuals or instructions, by competent duly qualified personnel, in accordance with applicable governmental regulations, if any, and for business purposes only. Lessee agrees not to remove the Equipment from its location as set forth in the related Schedule without Lessor's prior written consent, provided that Equipment which is mobile by nature shall be based at such location but may be operated away from such location in the ordinary course of Lessee's business.

4. MAINTENANCE. Lessee assumes all risk of loss or damage to the Equipment from the date of shipment thereof until it is returned to Lessor and the Schedule with respect to it is terminated, and agrees that the Equipment will be installed and maintained in good operating condition at lessee's expense and returned to Lessor promptly at the expiry of the lease Term in good operating condition (ordinary wear and tear expected).

5. ALTERATIONS. Lessee may make alterations, additions or improvements to the Equipment provided such alterations, additions or improvements shall not decrease the value of the Equipment or impair its utility. Any alterations, additions or improvements to the Equipment shall be at Lessee's expense and shall belong to and become the property of Lessor subject to the terms of this Agreement during the Lease Term of such Equipment. Lessee may remove any such alterations, additions or improvements at the expiration of the Lease Term of such Equipment provided Lessee shall repair any damage to the Equipment or the premises where located resulting from or occasioned by such removal and provided any such removal shall restore the Equipment to its original state and condition (ordinary wear and tear expected).

6. INSURANCE. As and from the earlier of the date upon which Lessor pays any part of the cost of an item of Equipment or acquires ownership of or title to an item of Equipment or bears any risk, responsibility and liability therefore and thereafter throughout the Lease Term of an item of Equipment, Lessee shall at its sole expense:
(a) insure the Equipment against all risks of physical loss or damage, including without limitation loss by fire(including extended coverage), theft, collision and such other risks of loss as are customarily covered by insurance on such type of equipment by prudent operators of businesses similar to that in which Lessee is engaged, in such amounts, in such form and with such insurers as shall be satisfactory to Lessor, but in no event shall such insurance be less than an amount (the "lose value") equal to the present value from time to time of all unpaid amounts due as Rental or otherwise (including the purchase option amount or any amounts due of the purchase option is not exercised, if applicable) with respect to such Equipment, calculated by discounting such amounts at the rate of six percent(6%) per annum, which amount the parties agree represents an estimate of the full replacement value of the Equipment from time to time during the Lease Term.
(b) maintain public liability and property damage insurance in respect of the use, operation and possession of the Equipment and the ownership thereof by Lessor with insurers satisfactory to Lessor in such form and with such limits of liability as Lessor may from time to time reasonably require.
Each insurance policy will name Lessee and Lessor as insureds, will name Lessor as an additional insured and loss payee thereof and shall contain a clause requiring the insurer to give to Lessor at least 30 days prior written notice of any alteration in the terms of such policy or of the cancellation thereof. At Lessor's request, Lessee shall furnish to Lessor a certificate of certificates of insurance or other evidence satisfactory to Lessor that such coverage is in effect, provided, however, that Lessor shall be under no duty to either ascertain the existence of or to examine such insurance policy or to advise Lessee in the event such insurance coverage shall not comply with the requirements hereof. If any such policies of insurance contain a co-insurance clause so as to prevent Lessee from becoming a co-insurer under the terms of the policy. Lessee will, at its expense, make all proofs of loss and take all other steps necessary to recover insurance benefits unless advised in writing by Lessor that Lessor wishes so to do at Lessee's expense.

Proceeds of insurance shall at the option of Lessor be disbursed by Lessor against satisfactory invoices for repair or replacement of Equipment, or be retained by the Lessor for application against Lessee's obligations hereunder, and of the proceeds received are less than the loss Value of the Equipment lost, Lessee shall immediately pay to Lessor the amount of such deficiency. The total or partial loss of the Equipment or its use or possession shall not relieve Lessee from its obligations and liabilities hereunder.

7. UNINSURED LOSS AND DAMAGE. In any item of Equipment is lost, stolen, destroyed or damaged beyond repair and is not covered by insurance in the amount required by section 6 for any reason, or in the event of any condemnation, confiscation, seizure or expropriation of such item, Lessee shall immediately pay to Lessor the Loss Value of such item, at which time Lessor will transfer to Lessee, without recourse or warranty of any nature whatsoever, all of Lessor's right, title and interest in such item of Equipment.

8. LAWS AND REGULATIONS. Lessee shall comply with all Laws relating to the Equipment, its possession and use and the ownership thereof by Lessor.

9. REPRESENTATIONS AND WARRANTIES OF LESSEE. Lessee represents and warrants to Lessor, which representations and warranties shall be deemed to be repeated on each day that this Agreement remains in force, that:
(a) Lessee, of a corporation, is duly incorporated and validly existing in good standing under the Laws of the jurisdiction of its incorporation, and Lessee has the power, corporate or otherwise, to enter into this Agreement and all certificates and other documents required hereby or referred to herein;
(b) this Agreement has been duly authorized by all necessary action, corporate or otherwise, on the part of the Lessee, has been duly executed and delivered by Lessee and constitutes the legal, valid and binding agreement of Lessee enforceable against it in accordance with their terms;
(c) the execution, delivery, observance and performance of this Agreement does not and will not result in the breach of, constitute a default under, contravene any provision of, or result in the creation of any lien on or in any property or assets of the Lessee, pursuant to Lessee's constituting documents (if any) or any agreement, indenture or other instrument to which Lessee is a party or by which Lessee or any if its property or assets may be bound; and
(d) there are no actions, suits or proceedings pending or, to the knowledge of Lessee, threatened in any court or tribunal or before any competent authority against Lessee or any of its property or assets which, in the reasonable and bona fide opinion of Lessee, may have a material adverse effect on the financial condition or business of Lessee.

10. EXCLUSION OF EQUIPMENT WARRANTIES. Lessee acknowledges that Lessee alone wil have selected the Equipment, that Lessor does not deal in the Equipment and that Lessor does not an will not make any representation or warranty whatsoever, express or implied, with respect to th Equipment or its adequacy for Lessee's purpose or otherwise. Lessor will have no liability whatsoeve (including, without limitation, liability for any indirect or consequential damages) arising from an latent or other defect in the Equipment including any fundamental breach, or other failure o performance, capacity or operation of the Equipment. If any Equipment is unsatisfactory for an reason, Lessee shall pay the rental owing in respect of such Equipment without abatement, and sha seek recourse solely against the supplier or manufacturer of such Equipment. For such purpos Lessor assigns to Lessee the benefit of all warranties and guarantees provided by manufacturers c suppliers of Equipment. If the manufacturer or supplier substitutes replacement equipment of ar Equipment described in a Schedule, Lessee will promptly give Lessor notice thereof together wi such particulars as are necessary to prepare a corrected Schedule and such replacement equipme shall be deemed Equipment.

11. DEFAULT. Time is of the essence and it shall be a default hereunder ("Default") and under Schedules if:
(a) Lessee fails to pay any rental or other amounts payable under any Schedule or hereunder when d in the manner specified;
(b) Lessee fails to observe or perform any covenant or other obligation or provision of a Schedule hereunder;
(c) Lessee becomes insolvent (within the meaning of the Bankruptcy and Insolvency Act) or comm or threatens to commit an act of bankruptcy or of a petition in bankruptcy, proposal, arrangement reorganization under the Bankruptcy and Insolvency Act, Winding up Act or Companies' Credit Arrangement Act is filed by or against Lessee or if a receiver or receiver-manager is appointed Lessee or a substantial part of Lessee's property;
(d) An encumbrance or any other party takes possession of a substantial part of Lessee's property any of the Equipment;
(e) Any representation or warranty made by Lessee to Lessor in connection with the entering int this Agreement or any statement in any document or agreement in connection herewith proves to h been untrue or incorrect when made of furnished;
(f) Lessee ceases or threatens to cease to carry on business currently being carried on by it or disp of all or substantially all of its property;
(g) Any item of equipment is confiscated, forfeited or seized or otherwise attached by anyone purs to any legal process or other means;
(h) If Lessee is a corporation, there is any change in its effective control without prior written cor of Lessor;

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(i) Lessee is in default under any other lease, contract, agreement or obligation now existing or hereinafter entered into with the Lessor or any assignee of Les[illegible] [illegible]ether Lessee is bound alone or with oth[illegible]

(j) Lessee [illegible] becomes mentally incompetent, if an individual, or is dissolved, or amalgamated or wound up if Lessee is a corporation;

(k) Lessor believes in good faith that the payment of the Rent or the performance or observation of any covenant herein is impaired or that the Equipment is in danger of being lost, damaged or confiscated, or if being encumbered by Lessee or seized or otherwise attached by anyone pursuant to any legal process or otherwise.

For greater certainty, Lessee acknowledges that a Default under one Schedule shall be deemed a Default under all Schedules.

12. REMEDIES. (a) Upon Default and any time thereafter Lessor may, in addition to any other right or remedy Lessor may have at law or in equity TWF Corp. shall have the rights and remedies set out below, all of which shall be enforced successively, concurrently and/or cumulatively:

(1) without further notice, take possession of the Equipment under any or all Schedules ("Repossession") and for such purpose Lessee hereby grants Lessor the right to enter its premises at the then current Equipment location for the purpose of Repossession and waives claims for any damages, whether to property or otherwise, arising out of a Repossession and acknowledges that Lessor may retain all prior payments as partial compensation for the use of the Equipment, and sell or lease the Equipment upon such terms as Lessor determines with or without notice, at private or public sale, with or without having the Equipment at the Sale(Disposition).

(2) Upon five (5) days prior written notice after the occurrence and continuance of Default, terminate this Agreement and any Schedule; or

(3) Demand, as a genuine pre-estimate of liquidated damages for loss of bargain and not as a penalty, the loss Value of the Equipment.

(b) Lessee will pay all costs arising or incurred by Lessor as a result of Default, including reasonable legal fees on a solicitor and his own client basis. Such costs will be first deducted from the proceeds of any Disposition. If any amount in excess of the loss value is received by Lessor, after costs, from the exercise of its remedies under paragraph 12(a), Lessor shall pay to Lessee or any other party entitled by law to such payment, any such excess, and Lessee shall be liable for any deficiency.

(c) Lessee will pay Lessor interest at the Prime Rate plus 5% per annum calculated daily on all sums not received by Lessor when due and owing under the provisions of any Schedule or hereunder. Such interest shall be calculated monthly, not in advance, and be due and payable on the same days as provided for the payment of Rental so long as payment of any monies due and payable hereunder is in arrears. For purposes of this paragraph, "Prime rate" means the rate of interest per annum which the Royal Bank of Canada establishes from time to time at its principal office in Toronto for demand loans in Canadian dollars made to its customers in Canada and referred to as its prime rate of interest.

(d) Lessee waives all claims for damages against Lessor arising out of the Repossession, voluntary surrender, removal or Disposition of the Equipment;

(e) All rights of Lessor are cumulative and not alternative and may be exercised by Lessor separately or together, in any order or combination; and

(f) Lessor may discharge any claim, lien, mortgage, charge, security interest, encumbrance or any rights of others that may exist or be threatened against the Equipment, and in each such case the amounts so paid together with costs, charges and expenses incurred in connection therewith shall be added to the amount otherwise owed by Lessee.

13. OWNERSHIP. Title to the Equipment is and shall remain in Lessor. During the Lease term, the Equipment shall be and remain removable, personal and chattel property. Lessor shall not interfere with Lessee's right to possession and quiet enjoyment of the Equipment during the Lease term provided Lessee performs its obligations hereunder and under any Schedule. Lessor may require plates, labels, or other markings to be affixed to or placed prominently upon the Equipment indicating Lessor as the owner.

14. RETURN ON TERMINATION. At the end of the lease term of each Schedule, the equipment shall be returned to Lessor at a place reasonably designated by Lessor, unless a purchase option is exercised in respect thereof.

15. INDEMNIFICATION. Lessee shall be responsible for, and shall indemnify and save Lessor harmless from and against, all losses, claims, costs, expenses, damages, actions and liabilities, including without limitation solicitor's fees on a solicitor and his own client basis, in connection with, or arising from, this Agreement and/or any Schedule, the Equipment and the acquisition, possession, return ownership, leasing, use and operation of the Equipment. This indemnity shall survive termination of this Agreement.

16. TAXES, LIENS, CHANGE OF NAME. Lessee shall:

(a) Punctually pay all sales and other taxes, license fees, levies and assessments which may become payable at any time upon, or in respect of, the Equipment, this Agreement and/or any Schedule;

(b) keep the equipment free and clear of liens, charges, security interests, hypothecs, attachments, seizures and encumbrances of any kind, except those in favor of Lessor; and

(c) notify Lessor in writing no less than 60 days prior to changing its name or the location of its chief executive office.

17. REMEDYING DEFAULTS. If Lessee shall fail to perform or comply with any of Lessee's obligations hereunder and/or under a Schedule, Lessor in its discretion may do all such reasonable acts and make all such reasonable disbursements as may be necessary to remedy such failure and any disbursements so made shall be payable by Lessee on demand, together with interest at the rate stipulated in paragraph 12(c) from the date of disbursement by Lessor to the date of payment by Lessee.

18. NOTICES. Notices with respect hereto will be given in writing personally delivered to an officer or duly authorized rep[illegible]tative of the recipient party or by prepaid registered mail addressed to such party at its address se[illegible] above or such other address as it may in writing direct. Notice, if mailed as aforesaid, shall be deemed effective upon the fifth (5) business day after the mailing thereof.

19. ASSIGNMENTS.

(a) This Agreement including any Schedule is not assignable by Lessee nor may Lessee assign or sublet the Equipment without prior written consent of Lessor.

(b) Lessor may at any time without notice to Lessee, transfer or assign this Agreement or any Schedule or any Equipment or any Rental or other moneys and benefits due or to become due hereunder.

20. MISCELLANEOUS.

(a) This Agreement shall be binding upon and enure to the benefit of Lessor and its successors and assigns and shall be binding upon Lessee and the heirs, executors, administrators, successors and permitted assigns or sublets of the Lessee.

(b) If more than one person, firm or corporation executes this Agreement as Lessee, their respective liabilities hereunder will be both joint and several, but Lessor will be fully discharged in respect of any obligation hereunder upon performance of that obligation in favor of any one of them.

(c) No term, condition or provision of this Agreement will be waived or deemed to have been waived by Lessor except in writing.

(d) Lessee shall furnish its financial statements to Lessor within 120 days after the close of each financial year of Lessee prepared in accordance with generally accepted accounting principles consistent with prior such statements. Lessee shall also furnish such other information as Lessor may from time to time reasonably request, and shall permit Lessor to inspect and make copies of its books and records upon at least 24 hours prior notice.

(e) This Agreement and Schedules hereto may be amended only by agreement in writing signed by Lessor and Lessee.

(f) Any provision of this Agreement which is or is deemed to be void, prohibited or unenforceable in any jurisdiction is, as to such jurisdiction, severable here from and ineffective to the extent of such avoidance, prohibition or unenforceability, without invalidating the remaining provisions hereof;

(g) All Lessees' obligations hereunder shall be performed or observed at Lessee's expense.

(h) Lessor may make any registrations, recordations, or filings necessary or desirable to protect or discharge, as the case may be, its security interest in the Equipment at the expense of Lessee.

(i) Lessee and Lessor shall give such further assurances and do such acts and execute such documents as may be required by the other of them to give effect to this Agreement and to protect their respective rights hereunder.

(j) This Agreement, "hereto", "herein", "hereof", "hereby", "hereunder", and similar expressions refer to the Master Lease Agreement and include all Schedules.

(k) This document and all related documents have been written in the English language at the express request of the parties.

(l) Lessee acknowledges receipt of a copy of this Agreement.

(m) This Agreement and the Schedules attached to it are non-cancellable.

(n) This Agreement and the Schedules shall, for the purpose of determining the validity and enforceability of Lessor's security interest in the Equipment and the Lessor's remedies upon a default, be governed by and construed in accordance with the laws if the jurisdiction where Lessee is located as of the date of the Lease If the Equipment is inventory leased or held for lease to others or Equipment normally used in more than one jurisdiction, and in all other cases, the laws of the jurisdiction where the Equipment is located. For all other purposes, this Agreement shall be governed and construed in accordance with the laws of the Province of Alberta.

21. PROVINCIAL WAIVERS

(a) Quebec. Notwithstanding anything in this Agreement to the contrary the contract evidenced thereby shall be a contract of leasing as contemplated by Article 1842 the Civil Code and Lessee declares and represents that it chose the Equipment leased hereunder which will be used for the purpose of its enterprise.

(b) Saskatchewan. Lessee, if a corporation, hereby agrees that the limitation of Civil Rights Act, as amended from time to time, shall have no application to the rights, powers or remedies of Lessor hereunder, and hereby waives any rights Lessee may have hereunder.

IN WITNESS WHEREOF This Agreement made as of this 28 day of March 2008

TRANSWEST FINANCIAL SERVICES CORP.

PER: ____________________

NAME: WAYNE WALD TITLE: PRESIDENT

DATE: 03 / 28 / 2008

LESSEE(S):

MCGILLIVRAY & SERA FARMS LTD. & ADRIANUS JOHANNES BASTIAANSEN & CORNELIA BASTIAANSEN

Per ____________________ Title ____________

Adrianus Johannes Bastiaansen for McGillivray & Sera Farms Ltd.

Per ____________________ Title ____________

Cornelia Bastiaansen for McGillivray & Sera Farms Ltd.

Per ____________________

Adrianus Johannes Bastiaansen

Per ____________________

Cornelia Bastiaansen

INITIALS ______

INITIALS ______

BILL OF SALE

THIS BILL OF SALE DATED: MARCH 2/ ,2008

BETWEEN: MCGILLIVRAY & SERA FARMS LTD. &
ADRIANUS JOHANNES BASTIAANSEN &
CORNELIA BASTIAANSEN

(the "Seller")

AND: TRANSWEST FINANCIAL SERVICES CORP.
SUITE 108, 6030 – 88TH STREET
EDMONTON, ALBERTA, CANADA T6E-6G4 (the "Buyer")

The Seller, as beneficial owner, hereby sells, assigns and transfers to the Buyer, in consideration of payment by the Buyer to the Seller of **THREE HUNDRED AND FOUR THOUSAND NINE HUNDRED AND TWENTY DOLLARS ($304,920.00)**, Goods and Services Tax included, all of the Seller's right, title and interest in and to the goods and chattels (the "Equipment") described on the schedule attached hereof, now in the possession of **MCGILLIVRAY & SERA FARMS LTD. & ADRIANUS JOHANNES BASTIAANSEN & CORNELIA BASTIAANSEN** and located at NW ¼, SEC 1, TWP 10, RANGE 11, WEST OF THE 4TH MERIDIAN, BOW ISLAND, ALBERTA

IN CONSIDERATION of the recital and other goods and valuable consideration (the receipt and sufficiency of which is acknowledged), the Seller and the Buyer hereby agree as follows:

1. The Seller has, prior to the execution and delivery of this Bill of Sale, good and marketable title to the Equipment, free and clear of all liens, claims, taxes, charges and encumbrances of any nature or kind whatsoever, and the Buyer will acquire such title upon the execution and delivery of this Bill of Sale.

2. The Seller is duly authorized and entitled to sell, assign and transfer to the Buyer the Equipment and all the right, title and interest of the Seller in and to the Equipment and, by the execution and delivery of this Bill of Sale, the Seller absolutely, beneficially and unconditionally sells, transfers, conveys, assigns and delivers all of its right, title and interest in and the Equipment to the Buyer.

3. The Equipment is correctly described in this Bill of Sale and is in the possession of the person shown above at the location shown above and such person shall permit the Buyer (or its agent or representative) reasonable access to remove the Equipment from such location.

4. If applicable, the Equipment is sold exempt from provincial sales taxes and the Buyer hereby gives to the Seller the Buyer Permit Number: N/A pursuant to applicable provincial sales tax legislation in the Province of Alberta. The Seller's goods and services tax registration number is: **870465333RT**

5. The Seller is not a non-resident for the purposes of the Income Tax Act (Canada).

6. This Bill of Sale shall enure to the benefit of and shall be binding upon the parties hereto and their respective heirs, executors, successors, administrators and permitted assigns. This Bill of Sale shall be governed by the laws of the Province of Alberta.

7. The Seller and the Buyer shall do such acts and shall execute such further documents, and will cause the doing of such acts and the executions of such further documents by others, as the Buyer may in writing at any time and from time to time reasonably request be done or executed in order to give effect to the Bill of Sale.

8. The parties confirm that it is their wish that this Bill of Sale and all other documents related hereto be drawn up in English on Les parties reconnaissent avoir demande que le present contrat ainsi que toute autre entente ou avis requis ou permis a etre con ou donne en vertu des dispositions du present contrat, soient rediges dans la langue anglaise seulement.

9. This Bill of Sale may be executed in any number of counterparts and by different parties hereto in separate counterparts, each which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the sa agreement and the execution and delivery of counterparts of this Bill of Sale.

INITIALS
INITIALS

EQUIPMENT DESCRIPTION

This is attached to and forms a part of a Bill of Sale between ***TRANSWEST FINANCIAL SERVICES CORP.*** and the Seller:

ITEM ***MAKE*** ***MODEL*** ***SERIAL#***

SEE ATTACHED SCHEDULE "A"

IN WITNESS WHEREOF the Seller has hereby executed this Bill of Sale as of the date first above written.

MCGILLIVRAY & SERA FARMS LTD. & ADRIANUS JOHANNES BASTIAANSEN & CORNELIA BASTIAANSEN

Seller's Name

Per ________ Title ________
Adrianus Johannes Bastiaansen for McGillivray & Sera Farms Ltd.

Per ________ Title ________
Cornelia Bastiaansen for McGillivray & Sera Farms Ltd.

Per ________
Adrianus Johannes Bastiaansen

Per ________
Cornelia Bastiaansen

Transwest Financial Services Corp.
as Buyer

____
Wayne Wald, President

Witness Name: SHANE MANN
Address: 3005-18TH AVE N. LETHBRIDGE, AB T1H5V2
Phone: 403-329-8686
Signature: ________

Witness Name: ________
Address: ________
Phone: ________
Signature: ________

INITIALS ________
INITIALS ________

SCHEDULE "A"

This Schedule "A" attached to and forming part of Bill of Sale which forms part of Lease Contract EQAM200802 dated the 21 day of March 2008 between Transwest Financial Services Corporation as Lender and MCGILLIVRAY & SERA FARMS LTD. & ADRIANUS JOHANNES BASTIAANSEN & CORNELIA BASTIAANSEN as Debtor

- ☑ ONE NEW 2007 FENDT TRACTOR MODEL 936 COMPLETE WITH ALL ACCESSORIES HAVING A SERIAL # 934221255
- ☑ 2006 AIRMAX FERTILIZER HAVING A SERIAL # 6M577
- ☑ 2003 LEMHAM SOLITAIR AIR SEEDER HAVING A SERIAL 265-117 ✓
- ☑ 2004 NEW HOLLAND TRACTOR & LOADER HAVING A SERIAL # YL3599004
- ☑ 2006 VISSER POTATO PEELER HAVING A SERIAL #KBGR13689
- ☑ 2007 VISSER POTATO PEELER HAVING A SERIAL # KBGR13405
- ☑ 2002 MORRIS AIR SEEDER HAVING A SERIAL # T240200839087
- ☑ 2005 ONE STEP BEAN CUTTER HAVING A SERIAL # 22-000
- ☑ 2001 MONOSEM AIR SEEDER HAVING A SERIAL #01A578
- ☑ 1996 LOPAL 3000 FERTILIZER HAVING A SERIAL #30051-23420
- ☑ 2007 MULLIE CONVEYOR SYSTEM

IN WITNESS WHEREOF the Debtor has executed this Agreement and verifies that the above information is accurate and correct to the best of their knowledge and by attaching their signatures agrees not to hold TRANSWEST FINANCIAL SERVICES CORP. responsible for the accuracy and description of the equipment described above.

Dated this 25 day of MARCH 2008.

DEBTOR(S):
MCGILLIVRAY & SERA FARMS LTD. & ADRIANUS JOHANNES BASTIAANSEN & CORNELIA BASTIAANSEN

Per ______________ Title ______________
Adrianus Johannes Bastiaansen for McGillivray & Sera Farms Ltd.

Per ______________ Title ______________
Cornelia Bastiaansen for McGillivray & Sera Farms Ltd.

Per ______________
Adrianus Johannes Bastiaansen

Per ______________
Cornelia Bastiaansen

Witnessed by: SHANE MANN
Print Name
3005-18TH AVE N.
Address
LETHBRIDGE, AB T1H 5V2
x ______________
Signature of Witness

INITIALS
INITIALS

FROM: MCGILLIVRAY & SERA FARMS LTD. & ADRIANUS JOHANNES ... CORNELIA BASTIAANSEN

(the "Debtors")

march 25/08

1. DEFINITIONS

All capitalized terms in this Agreement and in any schedules attached hereto shall, except Where defined herein, be interpreted pursuant to their respective meanings when used in the Personal Property Security Act of Alberta, as in force at the date of this Agreement, which Act including amendments thereto and any Act substituted therefore and amendments thereto is herein defined as the "PPSA".

2. SECURITY INTEREST

As continuing security for the payment and performance of all debts, liabilities and obligations of the Debtor to the Lender howsoever arising (present and future, absolute and contingent) (the "INDEBTENESS") the Debtor grants, assigns, mortgages, pledges and charges, as and by way of a specific mortgage., pledge and charge, and grants a Security Interest to and in favour of the Lender in the undertaking of the Debtor and in all personal property referred to in Schedule "A" and in all Proceeds and renewals thereof, accessions thereto and substitutions therefore (the "COLLATERAL"). The Debtor warrants and acknowledges to and in favour of the Lender that:

a) the parties intend the Security Interest hereby constituted in its existing property to attach upon execution and delivery hereof;
b) the parties intend the Security Interest created in after-acquired property of the Debtor to attach at the same time as it acquired rights in the said after-acquired property; and
c) value has been given

3. CONTINUOUS INTEREST

The mortgage, pledge, charge and Security Interest hereby created shall be a continuous charge notwithstanding the Indebtedness may be fluctuating and even may from time to time, and at any time, be reduced to a nil balance and notwithstanding monies advanced may be repaid and further advanced made to or to the order of the Debtor or in respect of which the Debtor is liable.

4. AUTHORIZED DEALING WITH COLLATERAL

Until Default, or until the Lender provides written notice to the contrary to the Debtor, the Debtor may deal with the collateral in the ordinary course of the Debtor's business in any manner not inconsistent with the provisions of this Agreement, provided that the Debtor may not, and agrees that it will not, without prior written consent of the Lender:

a) Sell or dispose of any of the Collateral otherwise than for fair market value in the ordinary course of the Debtor's business as it is presently conducted and for the purpose of carrying on that business , or
b) Create or incur any Security Interest, lien, assessment, or encumbrance upon any of of the Collateral which ranks or purports to rank, or is capable of being enforced in priority to or equally with the Security Interest granted under this Agreement, except Purchase Money Security Interests and Leases incurred in the ordinary course of the Debtor's business.

5. REPRESENTATIONS AND WARRANTIES OF THE DEBTOR

The Debtor hereby represents and warrants with the Lender that:

a) The collateral is owned by the Debtor free of all Security Interests, mortgages, liens, claims, charges or other encumbrances (hereinafter collectively called Encumbrances");
b) This Agreement when duly executed and delivered by the Debtor will constitute a Legal, valid and binding obligation of the Debtor, subject only that such enforcement May be limited bankruptcy, insolvency and any other laws of general application affecting creditor's rights any by rules of equity governing enforceability by specific performance;
c) There is no provision in any agreement to which the Debtor is a party, nor to the Knowledge of the Debtor is there any statute, rule or regulation, or any judgment, decree or order of any court, binding on the Debtor which would be contravened by the execution and delivery of this Agreement;

d) There is no litigation, proceeding or dispute pending, or to the knowledge of the Debtor threatened, against or affecting the Debtor or Collateral, the adverse determination of which might materially and adversely affect the Debtor's financial condition or operations or impair the Debtor's ability to perform its obligations hereunder;

6. **COVENANTS OF THE DEBTOR**

The Debtor hereby covenants with the Lender that:

a) The Debtor owns and will maintain the Collateral free of Encumbrances, or those Hereafter approved in writing by the Lender prior to their creation or assumption, and will defend title to the Collateral for the benefit of the Lender against the claims and demands of all persons;

b) The Debtor will maintain the Collateral in good condition and repair and will not Allow the value of the Collateral to be impaired, and will permit the Lender or such persons as the Lender may from time to time appoint to enter into any premises where the Collateral may be kept to view its condition.

7. **DEFAULT**

The happening of any of the following shall constitute Default under this Agreement:

a) The Debtor fails to pay, when due, the Indebtedness or any part thereof or to perform When due any other obligation to the Lender;

b) The Debtor fails when due to perform any obligation to any other person, and such Failure is not cured within 30 days of the date the Debtor first knew or should have known of such failure;

c) Any representation or warranty made in this Agreement or in any other document Or report furnished to the Lender in respect of the Debtor or the Collateral proves to have been or to have become false or materially misleading;

d) The Debtor ceases or demonstrates an intention to cease to carry on business or Disposes or purports to dispose of all or a substantial part of its assets;

e) An order is made or a resolution passed for winding up the debtor or a petition is Filed for the winding up, dissolution, liquidation or amalgamation of the Debtor;

f) The Debtor becomes insolvent or makes an assignment or proposal for the benefit Of its creditors, or a bankruptcy Petition or Receiving Order is filed or made against the Debtor, or a Receiver of the debtor, or any part of its property is appointed, or the Debtor commits or demonstrates an intention to commit any act of bankruptcy, or the debtor otherwise becomes subject to the provisions of the Bankruptcy Act or any other Act for the benefit of its creditors;

g) Any execution, sequestration, extent or distress or any other like process is levied or Enforced against any property of the debtor, or a Secured Party takes possession of any of the Debtor's property;

h) Any material adverse change occurs in the financial position of the Debtor;

i) The Lender considers that it is insecure, or that the prospect of payment or Performance by the Debtor of the Indebtedness is or is about to be impaired, or that the Collateral is or is about to be placed in jeopardy.

8. **REMEDIES**

On Default:

a) The Lender may seize or otherwise take possession of the Collateral or any part Thereof and sell the same by public or private sale at such price and upon such terms as the Lender in its sole discretion may determine and proceeds of such sale less all costs and expenses of the Lender (including costs as between a solicitor and its own client on a full indemnity basis) shall be applied on the Indebtedness and the surplus, if any, shall be disposed of according to law;

b) The Lender has the right to enforce this Agreement by any method provided for in This Agreement and as permitted by law, and to dispose of the Collateral by any method permitted by law, including disposal by lease or deferred payment;

c) The Lender may appoint any person or persons to be a Receiver of any Collateral And may remove any person so appointed and appoint another in his stead. The term "Receiver" as used in this Agreement includes a Receiver- Manager;

d) any Receiver will have the power:

  i) To take possession of any Collateral and for that purpose to take any proceedings, in the name of the Debtor or otherwise

  ii) To carry on or concur in carrying on the business of the Debtor;

  iii) To sell or lease any Collateral

iv) To make any arrangement or compromise which he may think expedient in the interest of the Lender;
v) To pay all liabilities and expenses connected with the Collateral, including the cost of insurance and payment of taxes or other charges incurred in obtaining, maintaining possession of and preserving the Collateral, and the same shall be added to the Indebtedness and secured by the Collateral;
vi) To hold as additional security any increase or profits resulting from the Collateral;
vii) To exercise all rights that the Lender have under this Agreement or otherwise at law;

e) The Debtor hereby appoints each Receiver appointed by the Lender to be its attorney To effect sale or lease of any Collateral and any deed, lease, agreement or other document signed by a receiver under his seal pursuant hereto will have the same effect as if its were under the seal of the Debtor;
f) And receiver will be deemed to be the agent of the debtor, and the Debtor will be Solely responsible for his acts or defaults and for his remuneration and expenses, and the Lender will not be in any way responsible for any misconduct or negligence on the part of any Receiver;
g) Neither the Lender nor the Sheriff is required to keep Collateral identifiable;
h) The Lender may use the Collateral in any manner as it in its sole discretion deems advisable.

9. **SECURITIES**

If Collateral at any time includes Securities, the Debtor irrevocably authorizes and appoints the Lender as its attorney and agent to transfer the same or any part thereof into its own name or that of its nominee(s) so that the Lender or its nominee(s) may appear on record as the sale owner thereof, provided that, until Default, the Lender shall deliver promptly to the Debtor all notices or other communications received by it or its nominee(s) as such registered owner and, upon demand and receipt to such Securities. After Default, the Debtor waives all rights to receive any notices or communications received by the Lender or its nominee(s) as such registered owner and agrees that no proxy issued by the Lender to the Debtor or its order as aforesaid shall thereafter be effective.

10. **ACCELERATION**

In the event of Default, the Lender, in its sole discretion, may without demand or notice of any kind, declare all or any of the Indebtedness due and payable by the Debtor which is not by its terms payable on demand, to be immediately due and payable, and the Lender shall be entitled to proceed in accordance with the terms of paragraph 8 hereof.

11. **NOTICE**

Any notice or demand required or permitted to be made or given by the Lender to the debtor may be validly served by leaving the same or by mailing the same by prepaid registered mail addressed to the Debtor at the last known address of the debtor or of any officer or director thereof, as shown on the records of the Lender, and in the case of mailing such notice or demand shall be deemed to have been received by the Debtor on the third business day following the date of mailing.

12. **COSTS AND EXPENSES**

The debtor agree to pay all costs, charges and expenses reasonably incurred by the Lender or any receiver appointed by it (including, but without restricting the generality of the forgoing, legal fees as between a solicitor and client on a full indemnity basis), in enforcing this Agreement and taking custody of the Collateral and all such costs, charges and expenses shall be a first charge on the proceeds of realization, collection, or disposition of Collateral and shall be secured hereby.

13. **MISCELLANEOUS**

a) This Agreement is in addition to and not in substitution for any other security or Securities now or hereafter held by the Lender and all such other securities shall remain in full force and effect.
b) The Debtor further agrees to execute and deliver to the Lender such further Assurances and conveyances and supplemental deeds as may be necessary to properly carry out the intention of this Agreement, as determined by the Lender, or as may be required by the Lender from time to time.
c) After Default, the Lender may from time to time apply and re-apply, notwithstanding Any previous application, in any such manner as it, in its sole discretion, sees fit, any monies received by it from the Debtor or as a result of any enforcement or recovery proceedings, in or toward payment of any portion of the Indebtedness.

14. **INTERPRETATION**

a) If a portion of this Agreement is wholly or partially invalid, then this Agreement Will be interpreted as if the invalid portion had not been a part if it.

b) Where the context so required the singular number shall be read as if the plural were Expressed and the provisions hereof shall be read with all grammatical changes necessary depending upon the person referred to being male, female, or body corporate.

c) [illegible]is Agreement will be interpreted in accordance w[illegible]e laws of the Province of Alberta and the Debtor irrevocably agrees that any su[illegible]or proceeding with respect to any matters arising out of or in connection with this Agreement may be brought in the courts of the Province of Alberta or in any court of competent jurisdiction as the Lender may elect and the debtor agrees to attorn to the same.

15. **COPY OF AGREEMENT**

The Debtor hereby acknowledges receipt of a copy of this Agreement, and waives any right it may have to receive a Financing Statement or Financing Change Statement relating to it.

IN WITNESS WHEREOF the Debtor(s) have executed this Agreement this 25 day of MARCH 2008.

DEBTOR(S): **MCGILLIVRAY & SERA FARMS LTD. & ADRIANUS JOHANNES BASTIAANSEN & CORNELIA BASTIAANSEN**

Per: ______________ Title ______________
Adrianus Johannes Bastiaansen for McGillivray & Sera Farms Ltd.

Per: ______________ Title ______________
Cornelia Bastiaansen for McGillivray & Sera Farms Ltd.

Per: ______________
Adrianus Johannes Bastiaansen

Per: ______________
Cornelia Bastiaansen

WITNESS: SHANE MANN
Print Name

____
Signature of Witness

SCHEDULE "A"

Attached to and forming part of a Security Agreement which forms part of Lease Contract EQAM200802 dated the 25 day of March 2008 between Transwest Financial Services Corporation as Lender and MCGILLIVRAY & SERA FARMS LTD. & ADRIANUS JOHANNES BASTIAANSEN & CORNELIA BASTIAANSEN as Debtor

- ☑ ONE NEW 2007 FENDT TRACTOR MODEL 936 COMPLETE WITH ALL ACCESSORIES HAVING A SERIAL # 934221255
- ☑ 2006 AIRMAX FERTILIZER HAVING A SERIAL # 6M577
- ☑ 2003 LEMHAM SOLITAIR AIR SEEDER HAVING A SERIAL 265-117
- ☑ 2004 NEW HOLLAND TRACTOR & LOADER HAVING A SERIAL # YL3599004
- ☑ 2006 VISSER POTATO PEELER HAVING A SERIAL #KBGR13689
- ☑ 2007 VISSER POTATO PEELER HAVING A SERIAL # KBGR13405
- ☑ 2002 MORRIS AIR SEEDER HAVING A SERIAL # T240200839087
- ☑ 2005 ONE STEP BEAN CUTTER HAVING A SERIAL # 22-000
- ☑ 2001 MONOSEM AIR SEEDER HAVING A SERIAL #01A578
- ☑ 1996 LOPAL 3000 FERTILIZER HAVING A SERIAL # 30051-23420
- ☑ 2007 MULLIE CONVEYOR SYSTEM

PLEASE CHECK EACH PIECE OF EQUIPMENT FOR YEAR, MAKE, MODEL & SERIAL NUMBER TO ENSURE ACCURACY

IN WITNESS WHEREOF the Debtor has executed this Agreement and verifies that the above information is accurate and correct to the best of their knowledge and by attaching their signatures agrees not to hold TRANSWEST FINANCIAL SERVICES CORP. responsible for the accuracy and description of the equipment described above.

Dated this 25 day of MARCH 2008.

DEBTOR(S):
MCGILLIVRAY & SERA FARMS LTD. & ADRIANUS JOHANNES BASTIAANSEN & CORNELIA BASTIAANSEN

Per ________________ Title ________________
Adrianus Johannes Bastiaansen for McGillivray & Sera Farms Ltd.

Per ________________ Title ________________
Cornelia Bastiaansen for McGillivray & Sera Farms Ltd.

Per ________________
Adrianus Johannes Bastiaansen

Per ________________
Cornelia Bastiaansen

Witnessed by: SHANE MANN
Print Name
3005-18TH AVE N
Address
LETHBRIDGE, AB T1H 5V2
x ________________

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

CLERK OF THE COURT
NOV 16 2009
CALGARY, ALBERTA

SEVENTH REPORT OF THE RECEIVER
ERNST & YOUNG INC.
NOVEMBER 16, 2009

MACLEOD DIXON LLP
3700 Canterra Tower
400 Third Avenue SW
Calgary, Alberta T2P 4H2
Telephone: (403) 267-8222
Fax: (403) 264-5973
Attention: Randal S. Van de Mosselaer

File No. 263209