

THE QUEEN'S BENCH
WINNIPEG CENTRE

BETWEEN:

LINCOLN WOLFE and 5606269 MANITOBA LTD.

Applicants,

-and-

**DUANNE TAYLOR, 5608067 MANITOBA LTD., TAYLOR
BROS. FARM LTD. and EDWIN POTATO GROWERS LTD.**

Respondents.

**SUPPLEMENT TO THE SECOND REPORT OF
DELOITTE RESTRUCTURING INC.,
IN ITS CAPACITY AS COURT APPOINTED LIQUIDATOR OF
TAYLOR BROS. FARM LTD. AND EDWIN POTATO GROWERS LTD.**

MARCH 29, 2018

LIQUIDATOR

DELOITTE RESTRUCTURING INC.
360 Main Street, Suite 2300
Winnipeg, Manitoba R3C 3Z3

Brent Warga
Ph: (204) 942-0051
Fax: (204) 947-2689
Email: bwarga@deloitte.ca

COUNSEL TO THE LIQUIDATOR

MLT AIKINS LLP
Barristers and Solicitors
3000 – 360 Main Street
Winnipeg, Manitoba R3C 4G1

Jeffrey M. Lee, Q.C./J.J. Burnell
Ph: (306) 975-7136/(204) 957-4663
Fax: (306) 975-7145/(204) 957-4285
Email: jmlee@mltaikins.com/jburnell@mltaikins.com

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INTRODUCTION

1. By means of an Order (the “**Liquidation Order**”) of the Honourable Justice Toews of the Court of Queen’s Bench for Manitoba (the “**Court**”) pronounced on April 28, 2017 (the “**Date of Appointment**”), Deloitte Restructuring Inc. (“**Deloitte**”) was appointed as the liquidator (the “**Liquidator**”), without security, of all of the assets, undertakings, and property (the “**Property**”) of Taylor Bros. Farm Ltd. (“**TBF**”) and Edwin Potato Growers Ltd. (“**EPG**”) (collectively the “**Companies**”).
2. The Liquidation Order was signed and entered with the Court on June 5, 2017. A copy of the Liquidation Order and other information regarding the liquidation proceedings can be accessed on the Liquidator’s website (the “**Liquidator’s Website**”) at www.insolvencies.deloitte.ca/en-ca/tbf-epg.
3. The Liquidation Order was granted as a result of an application by Lincoln Wolfe (“**Mr. Wolfe**”) and 5606269 Manitoba Ltd. (“**269**”) (collectively the “**Applicants**”) pursuant to sections 207 and 210 of *The Corporations Act*.
4. The second report of the Liquidator (the “**Second Report**”) and the confidential supplement to the Second Report (the “**Second Confidential Report**”) were filed on March 26, 2018. This report is filed as a supplement to the Second Report (the “**Supplement to the Second Report**”) to provide the Court with further information related to the security review performed by the Liquidator’s independent legal counsel, MLT Aikins LLP (“**MLT Aikins**”), and the Liquidator’s proposed interim distribution to the Bank of Montreal (“**BMO**”).

TERMS OF REFERENCE

5. In preparing the Supplement to the Second Report, the Liquidator has relied upon unaudited financial information, the books and records of the Companies and discussions with the shareholders and their respective legal counsel, interested parties, and other stakeholders of the Companies.
6. The financial information of the Companies has not been audited, reviewed or otherwise verified by the Liquidator as to its accuracy or completeness, nor has it necessarily been

prepared in accordance with generally accepted accounting principles and the reader is cautioned that this Supplement to the Second Report may not disclose all significant matters about the Companies. Additionally, none of the Liquidator's procedures were intended to detect defalcations or other irregularities. If the Liquidator were to perform additional procedures or to undertake an audit examination of the financial statements in accordance with generally accepted auditing standards, additional matters may have come to the Liquidator's attention. Accordingly, the Liquidator does not express an opinion nor does it provide any other form of assurance on the financial or other information presented herein. The Liquidator may refine or alter its observations as further information is obtained or brought to its attention after the date of this Supplement to the Second Report.

7. Unless otherwise stated, all monetary amounts contained in this Supplement to the Second Report are expressed in Canadian dollars.
8. Capitalized terms used in this Supplement to the Second Report but not defined herein are as defined in the first report (the "**First Report**") of the Liquidator, the Second Report, and the Liquidation Order.

SECURITY OPINION

9. As detailed in the Second Report, at the time of filing, MLT Aikins was in the process of reviewing the validity and priority of the secured and priority claims against the assets of the Companies.
10. MLT Aikins has since completed its independent review (the "**Security Review**") of the validity and enforceability of the BMO security (the "**BMO Security**"), the security (the "**Wiebe Security**") claimed by Gerald and Martha Wiebe ("**Wiebe**"), the security (the "**RLW Security**") claimed by R. L. Wolfe Ltd. ("**RLW**"), and the security (the "**National Leasing Security**") claimed by National Leasing Group Inc. ("**National Leasing**").
11. Based on the Security Review, MLT Aikins has opined as follows with respect to the BMO Security (the "**BMO Security Opinion**") in respect of the Residual Assets (as defined in the Second Report) of TBF and EPG:

- (a) The BMO Security is valid and enforceable;
 - (b) The Lands owned by TBF and EPG as described in Exhibit A to this Supplement to the Second Report, are charged with a first fixed and specific charge in favor of BMO pursuant to various BMO registrations; and
 - (c) The BMO Security ranks in priority to the claims of the unsecured creditors of the Companies.
12. Based on the Security Review, MLT Aikins has opined as follows with respect to the Wiebe Security (the “**Wiebe Security Opinion**”) in respect of the Residual Assets of TBF and EPG:
- (a) The Wiebe Security is valid and enforceable;
 - (b) The Lands owned by EPG as described in Exhibit B to this Supplement to the Second Report, are charged with a second fixed and specific charge in favor of Wiebe, behind the BMO registration; and
 - (c) The Wiebe Security ranks in priority to the claims of the unsecured creditors of the Companies.
13. Based on the Security Review, MLT Aikins has opined as follows with respect to the RLW Security (the “**RLW Security Opinion**”) in respect of the Residual Assets of TBF and EPG:
- (a) The RLW Security is valid and enforceable;
 - (b) The RLW Security serves to assign the benefit of the security from Bank of Nova Scotia, Farm Credit Canada, and Royal Bank of Canada to RLW;
 - (c) The RLW Security comprises legal, valid and binding obligations of TBF owed to RLW, enforceable in accordance with its terms, and charges the general personal property of TBF; and

- (d) The RLW Security ranks in priority to the claims of the unsecured creditors of the Companies.
14. Based on the Security Review, MLT Aikins has opined as follows with respect to the National Leasing Security (the “**National Leasing Security Opinion**”) in respect of the fertilizer tank lease contract (the “**Lease Contract**”):
- (a) The National Leasing Security constitutes a legal, valid and binding obligation of TBF, enforceable by National Leasing as against TBF in accordance with its terms.

However, as the registration of the National Leasing Security appears to have expired on September 1, 2017 (pursuant to the Manitoba Personal Property Registry), MLT Aikins did not express any opinion as to whether the National Leasing Security is enforceable by National Leasing in priority to any third parties.

15. The Companies’ records indicate that there are no amounts owing to Canada Revenue Agency (“**CRA**”) on account of payroll source deduction remittances or goods and services tax (“**GST**”).
16. The Companies’ records indicate that there are no amounts owing to the Minister of Finance on account of provincial sales tax (“**PST**”).
17. As at the date of this Supplement to the Second Report, the Liquidator has completed its review of the amounts being claimed by BMO (the “**BMO Claim**”) totaling \$5,518,039 (to April 5, 2018), and has concluded that the quantum of the BMO Claim is reasonable. The Liquidator has also completed its review of the amounts being claimed by RLW as a priority claim (the “**RLW Claim**”) totaling \$2,409,692 (to April 5, 2018) and has concluded that the quantum of the RLW Claim is reasonable.
18. As at the date of this Supplement to the Second Report, the Liquidator has not been provided with sufficient information to assess and determine the accuracy of the amounts being claimed by Wiebe (the “**Wiebe Claim**”). As such, and given that the Wiebe Claim ranks in priority to the RLW Claim in respect of the EPG Lands, pursuant to the Security

Opinion(s) detailed above, the Liquidator is not in a position to recommend a distribution to either RLW or Wiebe at this time.

19. As the registration of the National Leasing Security appears to have expired on September 1, 2017 and was not renewed in the Manitoba Personal Property Registry, the Liquidator is not in a position to recommend a distribution to National Leasing at this time.
20. Based on the quantum of the Beaver Creek Holding Offer and the Wolfe Offer (as both terms are defined in the Second Report and more fully detailed in the Second Confidential Report), a distribution to BMO in the amount of \$5,518,039 (the “**BMO Distribution**”) in full satisfaction of the Companies’ obligations owing to BMO is being recommended by the Liquidator.
21. The Liquidator is of the view that the BMO Distribution will not prejudice any other creditor of the Companies, and further limits any additional interest from accruing on the BMO debt.
22. Prior to recommending any further distribution(s) to any other secured creditor, the following matters will be determined by the Liquidator, and will be brought before the Court at a subsequent hearing:
 - (a) Quantification of the Wiebe Claim;
 - (b) Determination of how the costs of these proceedings should be allocated between the assets of TBF and EPG; and
 - (c) Determination of how the BMO Distribution should be allocated between the assets of TBF and EPG.

LIQUIDATOR’S RECOMMENDATIONS

23. As a result of the foregoing, the Liquidator respectfully requests from this Honourable Court the following:
 - (a) Approval of the BMO Distribution in the amount of \$5,518,039 in full

satisfaction of the Companies' obligations owing to BMO in accordance with the BMO Security; and

- (b) Approval of the reported actions of the Liquidator to date in respect of administering these liquidation proceedings.

All of which is respectfully submitted at Winnipeg, Manitoba, this 29th day of March 2018.

DELOITTE RESTRUCTURING INC.

In its capacity as Liquidator of
Taylor Bros. Farm Ltd. and Edwin Potato Growers Ltd.,
and not in its personal capacity.



Per: Brent Warga, CPA, CA, CIRP, LIT
Senior Vice-President

Exhibit A – Bank of Montreal Land Registrations

EXHIBIT A
Land Descriptions

TBF Lands

	Title Number	Land Location(s)	First Financial Charges¹
1.	2328200	NE 31-10-8 WPM NW 31-10-8 WPM SE 31-10-8 WPM SW 31-10-8 WPM	1. First TBF Mortgage ² 2. Third TBF Mortgage ⁴
2.	2571225	SE 4-11-8 WPM NE 4-11-8 WPM	1. Second TBF Mortgage ³ 2. Third TBF Mortgage
3.	2571228	NW 4-11-8 WPM SW 4-11-8 WPM	
4.	2571229	NE 8-11-8 WPM	
5.	2571232	NW 8-11-8 WPM	
6.	2571230	SE 17-11-8 WPM SW 17-11-8 WPM	
7.	2328202	NE 36-10-9 WPM	
8.	2328201	NW 36-10-9 WPM	2. Third TBF Mortgage

Notes:

- 1) Items 2, 3, 4, 5 and 6 are also subject to caveat 1146496/3 which was registered by TBF (prior to it becoming the registered owner).
- 2) The First TBF Mortgage refers to a BMO mortgage registered as No. 1119197 in the principal amount of \$800,000 dated September 29, 2008.
- 3) The Second TBF Mortgage refers to a BMO mortgage registered as No. 1149073/3 in the principal amount of \$2,300,000 dated September 15, 2011.
- 4) The Third TBF Mortgage refers to a BMO mortgage registered as No. 1159507/3 in the principal amount of \$10,000,000 dated April 1, 2013.

EPG Lands

	Title Number	Land Location(s)	First Financial Charges⁵
9.	2427364	NE 18-11-8 WPM	1. First EPG Mortgage ⁶ 2. Mortgage to Gerald Wiebe and Martha Wiebe ⁷ 3. Personal Property Security Notice in favour of National Leasing Group Inc. ⁸ 4. Second EPG Mortgage ⁹
10.	1549193	NE 13-10-9 WPM	1. First EPG Mortgage 2. Mortgage to Gerald Wiebe and Martha Wiebe 3. Second EPG Mortgage
11.	1488714	SE 11-11-9 WPM	
12.	1488712	SW 11-11-9 WPM	
13.	2801198	NE 12-11-9 WPM	
14.	2801202	NW 12-11-9 WPM	
15.	2801200	SW 13-11-9 WPM	
16.	1843240	NE 18-11-8 WPM	

Notes:

- 5) Only the first financial charges are listed. That is, all financial charges are listed through the last BMO mortgage, but any subsequent financial charges are not listed.
- 6) The First EPG Mortgage relates to a BMO mortgage registered as No. 1132034 in the principal amount of \$2,100,000 dated January 27, 2010.
- 7) The Mortgage to Gerald Wiebe and Martha Wiebe refers to a mortgage registered as 1132035 in the principal amount of \$600,000 dated January 27, 2010 (which registration was postponed in favour of the First EPG Mortgage on January 26, 2010).
- 8) The Personal Property Security Notice in favour of National Leasing Group Inc. refers to a lease contract dated May 10, 2013. The Personal Property Security Notice in favour of National Leasing Group Inc. states on its face that the security interest upon which it is based “expires on September 1, 2017”, and there has been no renewal of such at the Manitoba Property Registry.
- 9) The Second EPG Mortgage refers to a BMO mortgage registered as No. 1159508/3 in the principal amount of \$10,000,000 dated April 1, 2013.

Exhibit B – Gerald Wiebe and Martha Wiebe Land Registrations

EXHIBIT B

Land Descriptions

EPG Lands

	Title Number	Land Location(s)	First Financial Charges¹
1.	2427364	NE 18-11-8 WPM	1. BMO Mortgage ² 2. Mortgage to Gerald Wiebe and Martha Wiebe ³
2.	1549193	NE 13-10-9 WPM	
3.	1488714	SE 11-11-9 WPM	
4.	1488712	SW 11-11-9 WPM	
5.	2801198	NE 12-11-9 WPM	
6.	2801202	NW 12-11-9 WPM	
7.	2801200	SW 13-11-9 WPM	
8.	1843240	NE 18-11-8 WPM	

Notes:

- 1) Only the first financial charges are listed. That is, all financial charges are listed through the Wiebe mortgage, but any subsequent financial charges are not listed.
- 2) The BMO Mortgage relates to a mortgage registered as No. 1132034 in the principal amount of \$2,100,000 dated January 27, 2010.
- 3) The Mortgage to Gerald Wiebe and Martha Wiebe refers to a mortgage registered as 1132035 in the principal amount of \$600,000 dated January 27, 2010 (which registration was postponed in favour of the BMO Mortgage on January 26, 2010).