

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.

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

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**AUGUST 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  
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**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  
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## TABLE OF CONTENTS

Purpose.....1

### **EXHIBITS**

Exhibit A - August 9, 2018 E-Mail

Exhibit B - Exhibit O and P from the Affidavit of Duanne Taylor Sworn March 4, 2015

## PURPOSE

1. The purpose of this supplement to the Fourth Report (the “**Supplement to the Fourth Report**”) is to provide information to the Court regarding a letter received by the Liquidator’s legal counsel, MLT Aikins LLP (“**MLT Aikins**”), on August 24, 2018 from Fast Trippier Clunie Whittman Santos LLP (“**FTCWS**”), legal counsel representing Duanne Taylor (“**Mr. Taylor**”) (the “**August 24, 2018 FTCWS Correspondence**”). The August 24, 2018 FTCWS Correspondence requested that the Liquidator provide all of the facts being relied upon for the filing of the Taylor Bros. Farm Ltd. (“**TBF**”) claim (the “**TBF Claim**”) in the Edwin Potato Growers Ltd. (“**EPG**”) claims process (the “**EPG Claims Process**”), given the impact on the Proposed Distribution Schedules attached as Exhibit L to the Fourth Report.
2. As detailed in the Fourth Report of the Liquidator filed with the Court on August 27, 2018, based on the books and records of TBF and EPG, the Liquidator filed the TBF Claim in the amount of \$916,366 in the EPG Claims Process.
3. Prior to receipt of the August 24, 2018 FTCWS Correspondence, on August 9, 2018, the Liquidator provided the evidence being relied upon for the TBF Claim to both Lincoln Wolfe’s legal counsel, Thompson Dorfman Sweatman LLP, and FTCWS via e-mail (the “**August 9, 2018 E-Mail**”). Attached to the August 9, 2018 E-Mail were general ledger details from the books and records of TBF, and the December 31, 2015 financial statements for EPG (which were the most current notice to reader financial statements prepared by EPG’s external accountant that the Liquidator had in its possession). Attached hereto as Exhibit A is the August 9, 2018 E-mail correspondence and attachments.
4. In addition to the August 9, 2018 E-Mail, Mr. Taylor’s affidavit sworn on March 4, 2015 (the “**March 4, 2015 Taylor Affidavit**”) in these proceedings had attached thereto at Exhibits O and P the December 31, 2013 notice to reader financial statements for EPG and TBF, respectively (collectively the “**2013 Financial Statements**”). The 2013 Financial Statements provide evidence that at December 31, 2013, EPG was indebted to TBF in the amount of \$960,484. Exhibits O and P from the March 4, 2015 Taylor Affidavit are attached hereto as Exhibit B.

All of which is respectfully submitted at Winnipeg, Manitoba, this 29<sup>th</sup> day of August 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 – August 9, 2018 E-Mail**

## **Fritz, John X. (CA - Winnipeg)**

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**From:** Fritz, John X. (CA - Winnipeg)  
**Sent:** Thursday, August 9, 2018 1:28 PM  
**To:** Ross McFadyen; ftrippier@ft-lawyers.com  
**Cc:** JJ Burnell; Jeff Lee; Warga, Brent (CA - Winnipeg)  
**Subject:** TBF/EPG Intercompany Account  
**Attachments:** TBF Account #2462 Inter co with EPG.pdf; EPG Financial Statements December 31, 2015.pdf

Faron/Ross,

Further to our telephone call this morning, please find the following attached:

- 1) General ledger detail for TBF account# 2462 Inter co w/EPG for the period of August 1, 2009 through August 9, 2018. This was produced from the QuickBooks file previously provided to our office by Duanne Taylor. The December 31, 2015 balance is a receivable of \$916,366; and
- 2) December 31, 2015 Financial Statements for EPG provided to our office by MNP LLP showing a payable of “Advances from related party” totaling \$916,366.

Should there be any questions, please do not hesitate to let us know.

Regards,

**John R. Fritz**

Deloitte | Financial Advisory  
2300 – 360 Main Street  
Winnipeg, MB R3C 3Z3  
Phone: (204)942-0051 | Fax: (204)947-2689  
[www.deloitte.ca](http://www.deloitte.ca)

Taylor Bros. Farm Ltd.  
Transaction Detail by Account

August 1, 2009 through August 9, 2018

Type	Date	Num	Adj	Name	Memo	Class	Clr	Split	Debit	Credit	Balance
<b>2462 Inter co w/EPG</b>											
General Journal	01/01/2012	100			Account Opening Balance		X	2951 Opening Balance Equity	747,446.72		747,446.72
General Journal	12/31/2012	BK-1			adj to Oct 31 2012			1010 RBC Chequing	205,779.19		953,225.91
General Journal	12/31/2012	BK-28			reallocate 2001 F350 sale proceeds			9999 Ask My Accountant		7,738.74	945,487.17
General Journal	12/31/2012	BK-32			reallocate Nov & Ed 2012 interest			BMO - Edwin Potato Growers	11,915.72		957,402.89
General Journal	12/31/2012	BK-32			reallocate Nov & Ed 2012 interest			BMO - Edwin Potato Growers		12.00	957,390.89
General Journal	12/31/2012	BK-38			reallocate prop tax for Edwin land			6150 Property Taxes	4,719.04		962,109.93
General Journal	01/01/2013				remove EPG bank account from TBF gl			BMO - Edwin Potato Growers	74.72		962,184.65
Transfer	04/30/2013				Funds Transfer			2005 BMO Acct. #1026-632	65,200.00		1,027,384.65
Transfer	05/31/2013				Funds Transfer			2005 BMO Acct. #1026-632	100.00		1,027,484.65
Transfer	08/16/2013				Funds Transfer			2005 BMO Acct. #1026-632	1,000.00		1,028,484.65
Transfer	10/31/2013				Funds Transfer			2005 BMO Acct. #1026-632	48,200.00		1,076,684.65
General Journal	12/13/2013				Dec 13 tsfr of funds s/b EPG inter-co			2437 BMO 0545 6104-441	12,144.73		1,088,829.38
General Journal	12/31/2013				land, shed rent & GST from TBF to EPG			6300 Land Rent		210,000.00	878,829.38
General Journal	12/31/2013	BK6			to adjust for loan interest and property taxes paid on behalf of Edwin Potato Growers Ltd.			-SPLIT-	81,654.44		960,483.82
Cheque	01/30/2014			Receiver General	TBF Paid Taxes for Edwin Potato Growers (GST on Land Rent)			2005 BMO Acct. #1026-632	10,000.00		970,483.82
General Journal	02/28/2014			MASC	move EPG prop tax rebates from income to inter-co			-SPLIT-		13,667.38	956,816.44
Bill	03/07/2014	192508		James Banman	Material & Labour - Patch hole in mechanical room, adjust door (mec room), replace exterior door...			2010 Accounts Payable	1,035.00		957,851.44
Cheque	04/30/2014			Bank of Montreal	0545 6104-521 loan principle pymt made for EPG			BMO - Edwin Potato Growers	15,000.00		972,851.44
Cheque	04/30/2014			Bank of Montreal	0545 6104-433 loan principle pymt made for EPG			BMO - Edwin Potato Growers	33,250.00		1,006,101.44
General Journal	12/30/2014				close BMO's - EPG account to inter-co			BMO - Edwin Potato Growers		9.72	1,006,091.72
General Journal	12/30/2014				2014 prop taxes and loan interest paid by TBF for EPG			6150 Property Taxes	77,945.37		1,084,037.09
General Journal	03/31/2015				Mar 31/15 transfer to EPG bank s/b added to inter-co acct			BMO - Edwin Potato Growers	100.00		1,084,137.09
Deposit	12/22/2015				transfer from EPG			2005 BMO Acct. #1026-632		44,000.00	1,040,137.09
General Journal	12/30/2015	15-1			To reallocate to interunit co. account			BMO - Edwin Potato Growers		186,698.64	853,438.45
General Journal	12/31/2015	15-23...			To reallocate interest on loans paid by TBF			5120 Long Term Interest	62,927.63		916,366.08
Total 2462 Inter co w/EPG									1,378,492.56	462,126.48	916,366.08
<b>TOTAL</b>									<b>1,378,492.56</b>	<b>462,126.48</b>	<b>916,366.08</b>

**Edwin Potato Growers Ltd.**  
**Financial Statements**

*December 31, 2015*  
*(Unaudited - see Notice to Reader)*

## Notice To Reader

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On the basis of information provided by management, we have compiled the balance sheet of Edwin Potato Growers Ltd. as at December 31, 2015 and the statement of earnings (loss) and deficit for the year then ended. We have not performed an audit or a review engagement in respect of these financial statements and, accordingly, we express no assurance thereon. Readers are cautioned that these statements may not be appropriate for their purposes.

Portage la Prairie, Manitoba

April 7, 2016

*MNP* LLP

Chartered Professional Accountants

# Edwin Potato Growers Ltd.

## Balance Sheet

As at December 31, 2015  
(Unaudited - see Notice to Reader)

	2011	2012	2013	2014	2015
<b>Assets</b>					
<b>Current</b>					
Cash	147	175	195	121	5,528
Accounts receivable	-	-	10,039	-	-
	147	175	10,234	121	5,528
<b>Property, plant and equipment (Note 1)</b>	3,061,972	2,900,970	2,836,292	2,796,178	2,757,634
	3,062,119	2,901,145	2,846,526	2,796,299	2,763,162
<b>Liabilities</b>					
<b>Current</b>					
Accounts payable	-	21,660	44,100	66,500	103,097
Goods and Services Tax payable	-	-	10,000	-	-
Current portion of long-term debt (Note 2)	131,000	126,000	97,000	97,000	97,000
Current portion of note payable	-	-	-	561,000	561,000
	131,000	147,660	151,100	724,500	761,097
<b>Long-term debt (Note 2)</b>	1,717,377	1,441,615	1,344,988	1,296,738	1,296,738
<b>Note payable</b>	600,000	561,000	561,000	-	-
<b>Advances from related party</b>	747,447	962,110	960,484	1,084,037	916,366
	3,195,824	3,112,385	3,017,572	3,105,275	2,974,201
<b>Shareholders' Deficit</b>					
Share capital (Note 3)	31,720	31,720	31,720	31,720	31,720
Deficit	(246,427)	(323,962)	(283,768)	(421,698)	(323,761)
Contributed surplus	81,002	81,002	81,002	81,002	81,002
	(133,705)	(211,240)	(171,046)	(308,976)	(211,039)
	3,062,119	2,901,145	2,846,526	2,796,299	2,763,162

**Edwin Potato Growers Ltd.**  
**Statement of Earnings (Loss) and Deficit**

*For the year ended December 31, 2015*  
*(Unaudited - see Notice to Reader)*

	2011	2012	2013	2014	2015
<b>Revenue</b>					
Rental	-	-	200,000	-	-
	-	-	200,000	-	-
<b>Administrative and overhead expenses</b>					
Amortization	76,977	69,548	64,678	40,114	<b>38,545</b>
Interest and bank charges	209	72	1,155	64	<b>99</b>
Interest on long-term debt	87,412	100,597	91,514	86,690	<b>85,328</b>
Property taxes	10,930	13,603	2,459	10,027	<b>13,996</b>
Professional fees	-	-	-	-	<b>200</b>
Repairs and maintenance	-	-	-	1,035	-
	175,528	183,820	159,806	137,930	<b>138,168</b>
<b>Earnings (loss) from operations</b>	<b>(175,528)</b>	<b>(183,820)</b>	<b>40,194</b>	<b>(137,930)</b>	<b>(138,168)</b>
<b>Other revenue</b>					
Gain on disposal of property, plant and equipment	23,000	106,285	-	-	<b>236,105</b>
<b>Net earnings (loss)</b>	<b>(152,528)</b>	<b>(77,535)</b>	<b>40,194</b>	<b>(137,930)</b>	<b>97,937</b>
<b>Deficit, beginning of year</b>	<b>(93,899)</b>	<b>(246,427)</b>	<b>(323,962)</b>	<b>(283,768)</b>	<b>(421,698)</b>
<b>Deficit, end of year</b>	<b>(246,427)</b>	<b>(323,962)</b>	<b>(283,768)</b>	<b>(421,698)</b>	<b>(323,761)</b>

## Edwin Potato Growers Ltd. Notes to the Financial Statements

*For the year ended December 31, 2015  
(Unaudited - see Notice to Reader)*

### 1. Property, plant and equipment

	2014 <i>Net book value</i>	Cost	Accumulated <i>amortization</i>	2015 <i>Net book value</i>
Land	2,461,549	<b>2,461,549</b>	-	2,461,549
Building	216,151	<b>453,641</b>	<b>252,079</b>	<b>201,562</b>
Automotive	-	<b>159,879</b>	<b>159,879</b>	-
Equipment - general	118,478	<b>471,968</b>	<b>377,445</b>	<b>94,523</b>
	2,796,178	<b>3,547,037</b>	<b>789,403</b>	<b>2,757,634</b>

### 2. Long-term debt

	2014	2015
Loan payable in semi-annual instalments of \$15,000 plus interest at 5.15%, due 2030; secured by a general security agreement and guarantees from related parties.	480,000	<b>480,000</b>
Loan payable in semi-annual instalments of \$33,250 plus interest at prime plus 1.25%, due 2030; secured by a general security agreement and guarantees from related parties.	913,738	<b>913,738</b>
	1,393,738	<b>1,393,738</b>
Less: current portion	97,000	<b>97,000</b>
	1,296,738	<b>1,296,738</b>

Principal repayments on long-term debt in each of the next five years are estimated as follows:

2016	97,000
2017	97,000
2018	97,000
2019	97,000
2020	97,000

**Edwin Potato Growers Ltd.**  
**Notes to the Financial Statements**

*For the year ended December 31, 2015*  
*(Unaudited - see Notice to Reader)*

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**3. Share capital**

	<i>2014</i>	<i>2015</i>
Issued		
Common shares		
200 Class A, voting	200	<b>200</b>
Preferred shares		
61,573 Class D, non-voting	20	<b>20</b>
710 Class F, non-voting	31,500	<b>31,500</b>
	<b>31,520</b>	<b>31,520</b>
	<b>31,720</b>	<b>31,720</b>

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**Exhibit B – Exhibit O and P from the Affidavit of Duanne Taylor Sworn March 4, 2015**

This is Exhibit " O " referred to in the  
Affidavit of Duanne Taylor sworn  
before me this 4<sup>th</sup> day of March, 2015

A handwritten signature in black ink, appearing to read "Hercules", written over a horizontal line.

A Barrister and Solicitor in and for the  
Province of Manitoba

**Taylor Brothers Farm Ltd.**  
**Non-Combined Financial Statements**  
*December 31, 2013*  
*(Unaudited)*

## Review Engagement Report

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To the Directors of Taylor Brothers Farm Ltd.:

We have reviewed the non-combined balance sheet of Taylor Brothers Farm Ltd. as at December 31, 2013 and the non-combined statements of earnings (loss) and retained earnings and cash flows for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of inquiry, analytical procedures and discussion related to information supplied to us by the Company.

A review does not constitute an audit and, consequently, we do not express an audit opinion on these non-combined financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these non-combined financial statements are not, in all material respects, in accordance with Canadian accounting standards for private enterprises.

Portage la Prairie, Manitoba

April 29, 2014

**MNP** LLP  
Chartered Accountants

**Taylor Brothers Farm Ltd.**  
**Non-Combined Balance Sheet**  
*As at December 31, 2013*  
*(Unaudited)*

	<b>2012</b>	<b>2013</b>
<b>Assets</b>		
<b>Current</b>		
Cash	6,209	7,435
Accounts receivable	1,522,596	1,670,547
Income taxes recoverable	24,915	-
Goods and Services Tax receivable	20,531	41,102
Government assistance receivable	230,191	-
Inventory (Note 3)	106,711	555,100
Prepaid expenses	1,694,126	969,762
Funds on deposit	-	36,132
AgrilInvest	21	45,029
Short-term loans receivable	21,500	-
	3,626,800	3,325,107
Property, plant and equipment (Note 4)	6,336,403	4,962,419
Advances to related parties (Note 5)	2,355,504	2,425,814
Note receivable (Note 6)	88,100	88,100
	12,406,807	10,801,440

*Continued on next page*

**Taylor Brothers Farm Ltd.**  
**Non-Combined Balance Sheet**

As at December 31, 2013  
(Unaudited)

	2012	2013
<b>Liabilities</b>		
<b>Current</b>		
Bank indebtedness (Note 7)	2,122,496	2,022,636
Accounts payable and accruals	2,801,684	1,016,952
Cash advances	210,941	-
Source deductions payable	11,516	9,829
Current portion of long-term debt (Note 8)	181,000	892,000
Current portion of capital lease obligation (Note 9)	483,000	425,000
	5,810,637	4,366,417
Long-term debt (Note 8)	3,494,187	2,147,797
Capital lease obligations (Note 9)	769,135	427,555
Advance from related party (Note 10)	1,245,666	1,045,666
	11,319,625	7,987,435
<b>Shareholders' Equity</b>		
Share capital (Note 11)	100	100
Retained earnings	1,087,082	2,813,905
	1,087,182	2,814,005
	12,406,807	10,801,440

Approved on behalf of the Board

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

**Taylor Brothers Farm Ltd.**  
**Non-Combined Statement of Earnings (Loss) and Retained Earnings**  
*For the year ended December 31, 2013*  
*(Unaudited)*

	2012	2013
<b>Revenue</b>		
Crop sales		
Beans	4,119,259	3,969,842
Winter wheat	155,053	688,647
Canola	177,052	510,507
Soybeans	996,731	475,629
Corn	324,008	73,000
Wheat	207,530	-
Oats	60,926	-
Barley	16,995	-
Custom work	382,805	502,731
Crop insurance proceeds	611,817	501,828
Commodities for resale	83,291	-
Crop rebates	-	60,159
	<b>7,135,467</b>	<b>6,782,343</b>
Inventory quantity change	(9,545)	451,908
Inventory price change	-	(3,519)
	<b>(9,545)</b>	<b>448,389</b>
	<b>7,125,922</b>	<b>7,230,732</b>
<b>Production expenses</b>		
Chemical	986,455	570,152
Commodities purchased for resale	84,618	11,847
Crop insurance premiums	391,678	366,210
Fertilizer	603,103	534,804
Seed	414,747	800,092
	<b>2,480,601</b>	<b>2,283,105</b>
<b>Gross margin</b>	<b>4,645,321</b>	<b>4,947,627</b>
<b>Operating expenses</b>		
Agronomy services	84,750	78,335
Custom work	185,945	112,422
Freight and trucking	31,332	28,023
Fuel	360,544	323,428
Repairs and maintenance	476,710	343,384
Storage and handling	33,075	28,750
Supplies	6,754	18,077
	<b>1,179,110</b>	<b>932,419</b>
<b>Contribution margin</b>	<b>3,466,211</b>	<b>4,015,208</b>

*Continued on next page*

**Taylor Brothers Farm Ltd.**  
**Non-Combined Statement of Earnings (Loss) and Retained Earnings**  
*For the year ended December 31, 2013*  
*(Unaudited)*

	2012	2013
<b>Contribution margin</b> <i>(Continued from previous page)</i>	3,466,211	4,015,208
<b>Administrative and overhead expenses</b>		
Amortization	329,682	287,600
Equipment lease	467,606	469,997
Insurance and licenses	72,927	174,417
Interest and bank charges	338,754	380,409
Interest on capital lease obligations	95,484	95,185
Interest on long term debt	167,845	181,527
Meals and entertainment	73,347	19,923
Office and other	84,164	32,873
Professional fees	85,262	107,012
Property taxes	31,710	18,615
Rent	831,061	1,299,418
Utilities	53,716	56,155
Wages and benefits	892,348	590,417
	3,523,906	3,713,548
<b>Earnings (loss) from operations</b>	(57,695)	301,660
<b>Other revenue (expense)</b>		
Gain on disposal of assets	4,326	1,340,731
Rebates	-	55,902
Government program	(1,007,356)	22,500
Rental income	35,000	6,000
Interest income	77	30
	(967,953)	1,425,163
<b>Earnings (loss) before income taxes</b>	(1,025,648)	1,726,823
<b>Provision for (recovery of) income taxes</b>		
Current	(24,915)	-
<b>Net earnings (loss)</b>	(1,000,733)	1,726,823
<b>Retained earnings, beginning of year</b>	2,087,815	1,087,082
<b>Retained earnings, end of year</b>	1,087,082	2,813,905

The accompanying notes are an integral part of these financial statements

**Taylor Brothers Farm Ltd.**  
**Non-Combined Statement of Cash Flows**  
For the year ended December 31, 2013  
(Unaudited)

	2012	2013
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Net earnings (loss)	(1,000,733)	1,726,823
Amortization	329,682	287,600
(Gain) on disposal of property, plant and equipment	(4,326)	(1,340,731)
	(675,377)	673,692
Changes in working capital accounts		
Accounts receivable	(267,016)	(147,951)
Government assistance receivable	1,744,954	230,191
Income tax recoverable/payable	(49,830)	24,915
Goods and Services Tax receivable/payable	22,645	(20,571)
Inventory	9,545	(448,389)
Prepaid expenses and deposits	(1,246,659)	724,364
Accounts payable and accruals	845,870	(1,786,419)
	384,132	(750,168)
<b>Financing activities</b>		
Advances of long-term debt	887,546	250,760
Repayments of long-term debt	(177,450)	(886,150)
Repayment of advances from related party	(117,280)	(200,000)
Advances of capital lease obligations	182,854	62,398
Repayments of capital lease obligations	(425,240)	(461,978)
Cash advances	210,941	403,191
Repayment of cash advances	-	(614,132)
	561,371	(1,445,911)
<b>Investing activities</b>		
Purchases of property, plant and equipment	(630,345)	(2,015,683)
Proceeds on disposal of property, plant and equipment	157,934	4,442,799
Repayment of note receivable	6,400	-
Advances of loans receivable	(11,000)	-
Repayments of loans receivable	6,241	21,500
Advances to related parties	(383,111)	(387,563)
Repayment of advances to related parties	48,680	317,252
Funds held on deposit	-	(36,132)
Advances of AgrilInvest	(22,500)	(45,008)
Repayments of AgrilInvest	22,556	-
	(805,145)	2,297,165
<b>Increase in cash resources</b>	<b>140,358</b>	<b>101,086</b>
<b>Cash deficiency, beginning of year</b>	<b>(2,256,645)</b>	<b>(2,116,287)</b>
<b>Cash deficiency, end of year</b>	<b>(2,116,287)</b>	<b>(2,015,201)</b>
<b>Cash deficiency is composed of:</b>		
Cash	6,209	7,435
Bank indebtedness	(2,122,496)	(2,022,636)
	(2,116,287)	(2,015,201)

The accompanying notes are an integral part of these financial statements

**Taylor Brothers Farm Ltd.**  
**Notes to the Non-Combined Financial Statements**  
For the year ended December 31, 2013  
(Unaudited)

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1. **Incorporation and nature of business**

Taylor Brothers Farm Ltd. (the "Company") was incorporated under the laws of the Province of Manitoba. Its principal operation is the farming of grains, oilseeds and pulse crops.

2. **Significant accounting policies**

The financial statements have been prepared in accordance with Canadian accounting standards for private enterprises and include the following significant accounting policies:

**Cash and cash equivalents**

Cash and cash equivalents includes deposit balances with banks.

**Inventory**

Inventories available for immediate delivery are recorded at the net farm price (market price less selling costs) as the products have a reliable and realizable market price with predictable disposal costs.

**Property, plant and equipment**

Property, plant and equipment are initially recorded at cost. Amortization is provided using the straight line method at rates intended to amortize the cost of assets over their estimated useful lives.

	Rate
Automotive	15 %
Building	2.5 %
Computer equipment	45 %
Equipment	10 %
Furniture and fixtures	20 %

**Long-lived assets**

Long-lived assets consist of property, plant and equipment. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Company performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets may not be recoverable. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted future cash flows from its use and disposal. If the carrying amount is not recoverable, impairment is then measured as the amount by which the asset's carrying amount exceeds its fair value. Fair value is measured using prices for similar items. Any impairment is included in earnings for the year.

**Measurement uncertainty (use of estimates)**

The preparation of financial statements in conformity with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for dockage and unsaleable inventory. Amortization is based on the estimated useful lives of property, plant and equipment.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

**Taylor Brothers Farm Ltd.**  
**Notes to the Non-Combined Financial Statements**  
*For the year ended December 31, 2013*  
*(Unaudited)*

2. **Significant accounting policies** *(Continued from previous page)*

**Revenue recognition**

Revenues from the sale of grains, oilseeds and beans are recognized when the commodities are produced and when the items have a reliable and realizable market price.

Crop insurance proceeds are recognized when the Manitoba Agricultural Services Corporation assesses and approves the eligibility of crop loss claims.

Revenues from the resale of commodities are recognized upon receipt or when collectibility is reasonably assured.

Crop and other rebates are recognized upon receipt or when collectibility is reasonably assured.

Custom work revenue is recognized when the service occurs and when it has a reliable and realizable market price.

Government assistance under the AgriStability program is recognized as revenue when received or when a claim has reasonably been determined and collectibility is reasonably assured.

Government assistance under the AgriInvest program is recognized as revenue upon collection.

**Income taxes**

The Company accounts for income taxes using the taxes payable method. Under this method, only current income tax assets and liabilities are recorded to the extent they are unpaid or recoverable. In addition, the benefit relating to a tax loss incurred in the current period and carried back to prior periods is recognized as a current asset. Current income tax assets and liabilities are measured using substantively enacted tax rates and laws expected to apply when the tax liabilities or assets are to be either settled or realized.

**Financial instruments**

The Company recognizes its financial instruments when the Company becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with CICA 3840 *Related Party Transactions*.

At initial recognition, the Company may irrevocably elect to subsequently measure any financial instrument at fair value. The Company has not made such an election during the year.

The carrying values of financial assets measured at fair value and at amortized cost are as follows:

	2012	2013
<b>Financial assets measured at fair value:</b>		
Cash	6,209	7,435
<b>Financial assets measured at amortized cost:</b>		
Accounts receivable	1,522,596	1,670,547
Government assistance receivable	230,191	-
Funds on deposit	-	36,132
AgriInvest	21	45,029
Short-term loans receivable	21,500	-
Advances to related parties	2,355,504	2,425,814
Note receivable	88,100	88,100

**Taylor Brothers Farm Ltd.**  
**Notes to the Non-Combined Financial Statements**  
For the year ended December 31, 2013  
(Unaudited)

3. Inventory

	2012	2013
Canola	-	367,500
Corn	44,771	80,100
Pink beans	61,940	-
Barley	-	28,000
Rye	-	79,500
	106,711	555,100

4. Property, plant and equipment

	2012 Net book value	Cost	Accumulated amortization	2013 Net book value
Automotive	149,668	229,749	120,907	108,842
Building	14,350	15,944	1,993	13,951
Computer equipment	10,478	36,445	31,452	4,993
Equipment	282,002	486,195	182,492	303,703
Furniture and fixtures	2,403	6,006	4,805	1,201
Land	4,075,207	2,972,845	-	2,972,845
Land improvements	257,721	295,562	-	295,562
	4,791,829	4,042,746	341,649	3,701,097
Buildings under capital lease	172,262	186,721	19,127	167,594
Equipment under capital lease	1,024,696	1,261,207	373,566	887,641
Vehicle under capital lease	347,616	619,863	413,776	206,087
	1,544,574	2,067,791	806,469	1,261,322
	6,336,403	6,110,537	1,148,118	4,962,419

5. Advances to related parties

The advances are non-interest bearing and are not due within the next year. 5608067 Manitoba Ltd. owns 50% of the issued common shares of the Company. Edwin Potato Growers Ltd. is related to the Company by virtue of common control.

	2012	2013
5608067 Manitoba Ltd.	1,393,394	1,465,330
Edwin Potato Growers Ltd.	962,110	960,484
	2,355,504	2,425,814

**Taylor Brothers Farm Ltd.**  
**Notes to the Non-Combined Financial Statements**  
*For the year ended December 31, 2013*  
*(Unaudited)*

**6. Note receivable**

	2012	2013
Note receivable is unsecured, not subject to interest, and has no fixed terms of repayment.	88,100	88,100

**7. Bank indebtedness**

Bank indebtedness includes an authorized operating loan subject to interest at prime plus 1.875% amounting to \$1,550,763 (2012 – \$1,648,243) to a maximum of \$2,000,000. Assets pledged as collateral are a general security agreement providing a first fixed and floating charge over the assets of the Company, personal and corporate guarantees from the shareholders in the amount of \$450,000, guarantees from a related party in the amount of \$80,000 and in the amount of \$500,000.

Bank indebtedness also includes a line of credit subject to interest at 6.00% amounting to \$471,873 (2012 - \$474,253) to a maximum of \$500,000. Assets pledged as collateral are personal and corporate guarantees from the shareholders and a security interest in all present and after-acquired property, including crops and growing crops, and all proceeds derived from the sale of such property.

**8. Long-term debt**

	2012	2013
Term loan payable in semi-annual instalments of \$13,750 plus interest at 6.6%, due 2028. Secured by land with a net book value of \$823,000.	440,000	412,500
Term loan payable in semi-annual instalments of \$11,150 plus interest at 6.6%, due 2018. Secured by land with a net book value of \$823,000.	133,800	111,500
Term loan repaid in the year.	89,100	-
Term loan repaid in the year.	661,000	-
Term loan payable in semi-annual instalments of \$43,125 plus interest at prime rate plus 2.0%, due 2031. Secured by land with a net book value of \$2,149,845.	1,638,750	1,552,500
Loan payable in one principal payment of \$700,000 plus interest accrued at 5.95% monthly, due 2014. Secured by personal guarantees.	712,537	755,887
Loan payable in one principal payment of \$207,410 plus interest accrued at 1.50% monthly, due 2015. Secured by personal guarantees.	-	207,410
	3,675,187	3,039,797
Less: current portion	181,000	892,000
	3,494,187	2,147,797

Principal repayments on long-term debt in each of the next five years, assuming all term debt is subject to contractual terms of repayment, are estimated as follows:

2014	892,000
2015	343,000
2016	136,000
2017	136,000
2018	136,000

**Taylor Brothers Farm Ltd.**  
**Notes to the Non-Combined Financial Statements**  
*For the year ended December 31, 2013*  
*(Unaudited)*

**9. Capital lease obligations**

	2012	2013
Cultivator lease payable in semi-annual instalments of \$3,534 including interest at 6.12%, due June 2014, secured by equipment with a net book value of \$16,625 (2012 - \$19,950)	9,670	3,087
Spreader lease payable in semi-annual instalments of \$5,898 including interest at 6.12%, due June 2014, secured by equipment with a net book value of \$31,500 (2012 - \$37,800).	25,259	14,830
Harrow lease payable in semi-annual instalments of \$4,363 including interest at 6.12%, due June 2014, secured by equipment with a net book value of \$20,418 (2012 - \$24,502).	11,914	3,786
Grain cart lease payable in semi-annual instalments of \$4,094 including interest at 6.91%, due September 2014, secured by equipment with a net book value of \$19,127 (2012 - \$22,952).	15,175	7,896
Packer lease payable in semi-annual instalments of \$710 including interest at 6.91%, due September 2014, unsecured.	2,619	1,356
Harrow lease payable in semi-annual instalments of \$6,121 including interest at 6.38%, due September 2014, secured by equipment with a net book value of \$29,000 (2012 - \$34,800).	22,904	11,932
Seed tender lease payable in monthly instalments of \$649 including interest at 7.87%, due March 2014, secured by equipment with a net book value of \$14,288 (2012 - \$16,074).	11,243	4,080
Fuel trailer lease payable in monthly instalments of \$223 including interest at 12.52%, due January 2015, secured by equipment with a net book value of \$2,757 (2012 - \$4,412).	5,378	3,256
Grain and fertilizer bin lease payable in semi-annual instalments of \$17,152 including interest at 7.68%, due September 2016, secured by assets with a net book value of \$151,674 (2012 - \$155,887).	103,333	76,456
Seed drill lease payable in semi-annual instalments of \$1,335 including interest at 7.75%, due March 2016, secured by equipment with a net book value of \$7,290 (2012 - \$8,505).	6,932	4,757
Combine lease payable in semi-annual instalments of \$15,750 including interest at 9.31%, due October 2014, secured by equipment with a net book value of \$15,071 (2012 - \$37,679).	68,302	42,573
Combine lease repaid in the year.	32,289	-
Mobile radios lease repaid in the year.	1,364	-
Trailer lease payable in semi-annual instalments of \$5,684 including interest at 8.29%, due September 2014, secured by equipment with a net book value of \$13,750 (2012 - \$22,000).	25,082	15,600
Planter lease repaid in the year.	42,049	-
Trailer and excavator lease payable in monthly instalments of \$7,508 including interest at 3.65%, due October 2014, secured by equipment with a net book value of \$99,900 (2012 - \$175,000).	152,520	64,887

**Taylor Brothers Farm Ltd.**  
**Notes to the Non-Combined Financial Statements**  
*For the year ended December 31, 2013*  
*(Unaudited)*

9. **Capital lease obligations** *(Continued from previous page)*

	2012	2013
Farm equipment lease payable in monthly instalments of \$10,018 including interest at 4.34%, due January 2017, secured by equipment with a net book value of \$366,429 (2012 - \$485,565).	440,748	360,657
Farm implement lease payable in monthly instalments of \$5,840 including interest at 3.93%, due December 2014, secured by equipment with a net book value of \$158,837 (2012 - \$178,691).	129,174	64,235
Sprayer lease payable in monthly instalments of \$2,425 including interest at 5.04%, due July 2017, secured by equipment with a net book value of \$103,147 (2012 - \$116,041).	116,959	101,863
Vehicle lease payable in monthly instalments of \$1,070 including interest at 10.77%, due June 2015, secured by automotive asset with a net book value of \$25,241 (2012 - \$30,650).	29,221	19,034
Fertilizer tank lease payable in semi-annual instalments of \$5,500 including interest at 5.13%, due May 2018, secured by equipment with a net book value of \$46,708.	-	43,455
Valmar applicator lease payable in semi-annual instalments of \$1,136 including interest at 5.83%, due May 2018, secured by equipment with a net book value of \$9,450.	-	8,815
	1,252,135	852,555
<b>Less: current portion</b>	483,000	425,000
	769,135	427,555

Future minimum lease payments related to obligations under capital lease are as follows:

2014	492,000
2015	208,000
2016	179,000
2017	27,000
2018	6,000
	912,000
<b>Less: imputed interest</b>	(59,445)
	852,555
<b>Less: current portion</b>	(425,000)
	427,555

**Taylor Brothers Farm Ltd.**  
**Notes to the Non-Combined Financial Statements**  
*For the year ended December 31, 2013*  
*(Unaudited)*

**10. Advance from related party**

The advance is not subject to interest and is not due within the next year. 5606269 Manitoba Ltd. owns 50% of the issued common shares of the Company.

	2012	2013
5606269 Manitoba Ltd.	1,245,666	1,045,666

**11. Share capital**

	2012	2013
Issued		
Common shares		
100 Class A voting shares	100	100

**12. Income taxes**

The reconciliation of the Company's effective income tax expense is as follows:

	2012		2013	
Expected tax expense	(110,081)	1,726,823	11.00 %	189,951
Increase (decrease) in income tax expense resulting from:				
Impact of difference between amortization for accounting purposes and CCA taken in the period	25,645	198,971	11.00 %	21,887
Gain on disposal of property, plant and equipment	(476)	(1,340,731)	11.00 %	(147,480)
Changes for filing cash basis	119,863	(2,106,155)	11.00 %	(231,677)
Optional inventory adjustments	10,446	657,757	11.00 %	72,353
Non-taxable AgrilInvest deposit	(2,475)	(22,500)	11.00 %	(2,475)
Taxable AgrilInvest withdrawals	2,482	-	-	-
Total capital lease payments	(57,321)	(588,716)	11.00 %	(64,759)
Interest portion of capital lease payments	10,503	95,185	11.00 %	10,470
Non-deductible expenses	1,776	115,590	11.00 %	12,715
Land improvements capitalized	(23,535)	(21,092)	11.00 %	(2,320)
Capital gains taken for income tax purposes	126	768,118	11.00 %	84,493
Tax loss	24,916	506,740	11.00 %	55,741
Recapture of CCA	872	10,008	11.00 %	1,101
Provision for income tax	(2,741)	-	-	-
Actual tax expense	-	-		-

**Taylor Brothers Farm Ltd.**  
**Notes to the Non-Combined Financial Statements**  
*For the year ended December 31, 2013*  
*(Unaudited)*

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**13. Commitments**

The Company has entered into operating lease arrangements with various equipment lessors. The Company is committed to making the following contractual payments:

2014	494,000
2015	58,000
2016	41,000
2017	21,000

The Company has entered into land rental arrangements with various land owners. The Company is committed to making the following contractual payments:

2014	385,000
2015	302,000
2016	197,000
2017	92,000
2018	42,000

**14. Financial instruments**

The Company, as part of its operations, carries a number of financial instruments. It is management's opinion that the Company is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

***Interest rate risk***

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Company is exposed to interest rate cash flow risk with respect to its revolving bank indebtedness.

***Liquidity risk***

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company enters into transactions to purchase goods and services on credit; borrows funds from financial institutions or other creditors; and leases equipment from various creditors for which repayment is required at various maturity dates.

**15. Long-term debt with covenant violations**

The terms of the Company's creditor's security agreement require that certain measurable covenants be met. As of the balance sheet date, the Company has breached the following financial covenants:

- Working capital ratio: The agreement indicates that the working capital ratio, on a combined basis at fiscal year-end, be a minimum of 1.35:1. On a combined basis, the Company's current ratio is 0.74:1 at December 31, 2013.
- Debt to tangible net worth: The agreement indicates that the Company's total debt to tangible net worth ratio is not to exceed 1.1:1. On a combined basis, the Company's debt to tangible net worth is 2.24:1 at December 31, 2013.

Subsequent to the balance sheet date, the lender has acknowledged the covenant violations and signed a waiver indicating that there is no intention to recall the debt within the next fiscal year.

**Taylor Brothers Farm Ltd.**  
**Notes to the Non-Combined Financial Statements**  
*For the year ended December 31, 2013*  
*(Unaudited)*

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**16. Contingency / subsequent event**

In August 2014, the Company will commence legal proceedings in Manitoba Court of Queen's Bench for collection of an outstanding trade receivable amounting to \$716,476. The legal proceedings remain at an early stage and, as litigation is subject to many uncertainties, it is not possible to predict the ultimate outcome or to estimate any potential loss which may result. The Company expects to be able to collect the full amount outstanding.

This is Exhibit "P" referred to in the  
Affidavit of Duanne Taylor sworn  
before me this 4<sup>th</sup> day of March, 2015



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A Barrister and Solicitor in and for the  
Province of Manitoba

**Edwin Potato Growers Ltd.**  
**Financial Statements**  
*December 31, 2013*  
*(Unaudited - see Notice to Reader)*

## Notice To Reader

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On the basis of information provided by management, we have compiled the balance sheet of Edwin Potato Growers Ltd. as at December 31, 2013 and the statement of earnings (loss) and deficit for the year then ended. We have not performed an audit or a review engagement in respect of these financial statements and, accordingly, we express no assurance thereon. Readers are cautioned that these statements may not be appropriate for their purposes.

Portage la Prairie, Manitoba

March 9, 2014

**MNP** LLP  
Chartered Accountants

**Edwin Potato Growers Ltd.****Balance Sheet**

As at December 31, 2013

(Unaudited - see Notice to Reader)

	2010	2011	2012	2013
<b>Assets</b>				
<b>Current</b>				
Cash	100	147	175	195
Accounts receivable	-	-	-	10,039
	100	147	175	10,234
Property, plant and equipment (Note 1)	3,130,372	3,061,972	2,900,972	2,836,293
	3,130,472	3,062,119	2,901,147	2,846,527
<b>Liabilities</b>				
<b>Current</b>				
Bank indebtedness	7,044	-	-	-
Accounts payable	-	-	21,662	44,101
Goods and Services Tax payable	-	-	-	10,000
Current portion of long-term debt (Note 2)	131,000	131,000	126,000	97,000
	138,044	131,000	147,662	151,101
Long-term debt (Note 2)	1,847,877	1,717,377	1,441,615	1,344,988
Note payable	600,000	600,000	561,000	561,000
Advances from related party	525,728	747,447	962,110	960,484
	3,111,649	3,195,824	3,112,387	3,017,573
<b>Shareholders' Equity (Deficit)</b>				
Share capital (Note 3)	31,720	31,720	31,720	31,720
Deficit	(93,899)	(246,427)	(323,962)	(283,768)
Contributed surplus	81,002	81,002	81,002	81,002
	18,823	(133,705)	(211,240)	(171,046)
	3,130,472	3,062,119	2,901,147	2,846,527

**Edwin Potato Growers Ltd.**  
**Statement of Earnings (Loss) and Deficit**  
*For the year ended December 31, 2013*  
*(Unaudited - see Notice to Reader)*

	2010	2011	2012	2013
<b>Revenue</b>				
Rental	-	-	-	200,000
<b>Administrative and overhead expenses</b>				
Amortization	77,477	76,977	69,548	64,678
Interest and bank charges	390	209	72	1,155
Interest on long term debt	70,154	87,412	100,597	91,514
Property taxes	14,096	10,930	13,603	2,459
	162,117	175,528	183,820	159,806
<b>Other revenue</b>				
Gain on disposal of property, plant and equipment	68,218	23,000	106,285	-
<b>Net earnings (loss)</b>	(93,899)	(152,528)	(77,535)	40,194
<b>Retained earnings (deficit), beginning of year</b>	-	(93,899)	(246,427)	(323,962)
<b>Deficit, end of year</b>	(93,899)	(246,427)	(323,962)	(283,768)

**Edwin Potato Growers Ltd.**  
**Notes to the Financial Statements**  
For the year ended December 31, 2013  
(Unaudited - see Notice to Reader)

**1. Property, plant and equipment**

	2012 Net book value	Cost	Accumulated amortization	2013 Net book value
Automotive	18,151	159,879	159,879	-
Building	254,882	453,641	221,331	232,310
Equipment - general	166,390	471,968	329,534	142,434
Land	2,461,549	2,461,549	-	2,461,549
	<u>2,900,972</u>	<u>3,547,037</u>	<u>710,744</u>	<u>2,836,293</u>

**2. Long-term debt**

	2012	2013
Loan repaid in the year.	29,127	-
Loan payable in semi-annual instalments of \$15,000 plus interest at 5.15%, due 2030; secured by a general security agreement and guarantees from related parties.	525,000	495,000
Loan payable in semi-annual instalments of \$33,250 plus interest at prime plus 1.25%, due 2030; secured by a general security agreement and guarantees from related parties.	1,013,488	946,988
	<u>1,567,615</u>	<u>1,441,988</u>
Less: current portion	126,000	97,000
	<u>1,441,615</u>	<u>1,344,988</u>

Principal repayments on long-term debt in each of the next five years are estimated as follows:

2014	97,000
2015	97,000
2016	97,000
2017	97,000
2018	97,000

**Edwin Potato Growers Ltd.**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2013*  
*(Unaudited - see Notice to Reader)*

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<b>3. Share capital</b>	<b>2012</b>	<b>2013</b>
<b>Issued</b>		
Common shares		
200 Class A, voting	200	200
<hr/>		
Preferred shares		
61,573 Class D, non-voting	20	20
710 Class F, non-voting	31,500	31,500
<hr/>		
	31,720	31,720
<hr/>		