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COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

APPLICANT ATB FINANCIAL

RESPONDENTS W.A. GRAIN HOLDINGS INC., 1309497 ALBERTA LTD.(o/a W.A. GRAIN & PULSE SOLUTIONS), NEW LEAF ESSENTIALS (WEST) LTD., NEW LEAF ESSENTIALS (EAST) LTD., 1887612 ALBERTA LTD.

DOCUMENT **FIRST REPORT OF BDO CANADA LIMITED, IN ITS CAPACITY AS RECEIVER OF W.A. GRAIN HOLDINGS INC., 1309497 ALBERTA LTD. (o/a W.A. GRAIN & PULSE SOLUTIONS), NEW LEAF ESSENTIALS (WEST) LTD., 1887612 ALBERTA LTD. and CERTAIN ASSETS OF NEW LEAF ESSENTIALS (EAST) LTD.**

May 31, 2021

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**FIRST REPORT OF THE RECEIVER
BDO CANADA LIMITED
May 31, 2021**

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INTRODUCTION

1. On April 26, 2021 (the “**Receivership Date**”), ATB Financial made an application to the Court of Queen’s Bench of Alberta (the “**Court**”) and pursuant to an Order of the Honourable Justice Mah (the “**Receivership Order**”), BDO Canada Limited (“**BDO**”) was appointed Receiver (the “**Receiver**”) of the assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof (the “**Property**”) of W. A. Grain Holdings Inc., (“**WA Holdings**”) 1887612 Alberta Ltd. (“**1887612**”) 1309497 Alberta Ltd. o/a W. A. Grain & Pulse Solutions Inc., (“**1309497**”), New Leaf Essentials (West) Ltd. (“**NLEW**”) and certain assets of New Leaf Essentials (East) Ltd. (“**NLEE**”) (collectively “**WA Grain**” or the “**Company**”).
2. This Report and all other Court materials and orders issued and filed in these receivership proceedings (the “**Proceeding**”) are available on the Receiver’s case website at: <https://www.bdo.ca/en-ca/extranets/wagrainholdings/> and will remain available on the website for a period of six months following the Receiver’s discharge.

PURPOSE

3. The purpose of this report (the “**First Report**”) is to provide this Honourable Court with information required for:
 - a. approving the actions and activities of the Receiver described herein;
 - b. approving the Receiver’s request to increase the threshold permitted for the sale of assets, out of the ordinary course of business, from \$250,000 to \$500,000 with an aggregate increase from \$500,000 to \$1,500,000. This will allow the Receiver to realize on inventory held at various locations throughout Canada in a cost efficient and timely manner;
 - c. approving the Inventory Sale Agreement (as defined below) with Bridge Agri Partners Inc. as described in the Confidential Appendix to this report.
 - d. approving the Receiver’s proposed sales solicitation process (“**SSP**”) attached hereto as Appendix “**A**” to offer for sale the Bashaw Plant, the Bowden Plant,

the Pambrun Plant, the Ponteix Plant and the Vanguard Plant (all as defined below);

- e. approving the fees and disbursements of the Receiver and its legal counsel, MLT Aikins LLP (“**MLT**”) and authorizing the Receiver to pay all approved and unpaid fees and disbursements; and
- f. sealing on the Court record the Confidential Appendices.

TERMS OF REFERENCE AND DISCLAIMER

- 4. In preparing this First Report, the Receiver has relied upon unaudited financial information, discussion with former management of the Company, discussions with former Company employees and contract staff, available books and records of the Company, and information provided by the Receiver’s legal counsel (collectively referred to as the “**Information**”). The Receiver has not performed an audit, review or otherwise attempted to verify the accuracy or completeness of the Information.

BACKGROUND

- 5. WA Grain’s leased head office is located at 5041-50th Street, Innisfail Alberta (“**Head Office**”). WA Grain purchases grain from producers or resellers for its six (6) processing plants located in Alberta, Saskatchewan and Prince Edward Island and sells the product, after cleaning and processing it, domestically and internationally. Customers are located throughout Canada and world-wide including, the United States, the Middle East and Asia. Products that are sold by the Company include, but are not limited to, green and yellow peas, chick peas and lentils for human consumption and pet food (the “**Inventory**”).
- 6. 1887612 is a holding company owned by the Chivilo Family Trust. According to the Corporate Registration System of Alberta, 1887612 owns 100% of WA Holdings, which is the sole shareholder of 1309497, NLEW and NLEE.
- 7. WA Grain owns and operates six grain processing plants located in Vanguard, Saskatchewan (“**Vanguard Plant**”), Ponteix, Saskatchewan (“**Ponteix Plant**”),

Pambrun, Saskatchewan (“**Pambrun Plant**”), Bashaw, Alberta (“**Bashaw Plant**”), Bowden, Alberta (“**Bowden Plant**”) and Slemon, Prince Edward Island (“**PEI Plant**”) (collectively with the Vanguard Plant, the Ponteix Plant, the Pambrun Plant, the Bashaw Plant and the Bowden Plant, the “**Processing Plants**”). The Processing Plants, excluding the PEI Plant are regulated by the Canada Grain Commission (the “**CGC**”) and the Company held Primary Elevator Licenses at each Processing Plant under 1309497 and a Grain Dealer License also under 1309497 (collectively the “**Grain Licenses**”).

8. On April 19, 2021, a week prior to the Receivership Date, the CGC suspended all the Grain Licenses. The suspension of the Grain Licenses restricted any movement of grain onto or off the Processing Plants and their respective grain elevators such that the Company had effectively ceased active operations prior to the Receivership Date. The Grain Licenses were suspended until April 30, 2021 at which time the CGC would make a determination to either cancel, amend or reissue the Grain licenses following its audit of the grain and unsettled Primary Elevator Receipts (“**PER(s)**”) and grain receipts issued to the unpaid farmers. On April 30, 2021, the Receiver on behalf of 1309497 received short term Grain Licenses allowing it to remove grain but not accept grain at the Processing Plants regulated by the CGC.
9. As at the Receivership Date, the Company had fifty-five (55) employees across all Processing Plants, Head Office and three (3) members of the export team situated in Ontario and British Columbia. All employees were employed by 1309497. The Receiver terminated all the employees upon its appointment and has retained a few employees on a contract basis to maintain the Processing Plants and complete any orders in transit.

Processing Plants

Bashaw Plant

10. The Bashaw Plant is situated on land that is leased from the Canadian National Railway (“**CNR**”). There is also a rail siding lease with CNR. The Receiver understands that although the leases are not assignable by the Company, CNR could make arrangements with a new plant owner for a new land lease and rail siding lease. 1309497 purchases and sells Inventory at the Bashaw Plant. ATB Financial has a registered first charge on

the Bashaw Plant assets. The Receiver has not yet obtained an independent security opinion in respect of the security interests of any of the creditors claiming a security interest as against the Property.

11. A portion of the Bashaw Plant had been approved as a certified organic operator under the Canada Organic Regime by the Safe Food for Canadians Regulations. On April 26, 2021, Pro-Cert Organic Systems Ltd. issued a Notice of Cancellation advising 1309497 that its organic status had been cancelled.

Bowden Plant

12. The Bowden Plant is situated on land leased from the Town of Bowden with NLEW. The Receiver understands that there is an option to purchase the land in the lease. The Bowden Plant has historically operated as two plants, the export division, which cleaned and processed pulses for sale to export markets including India, China and the United States, and the pet food plant (the “**Pet Food Plant**”). ATB Financial has a registered first charge on the Bowden Plant assets.

Vanguard Plant

13. 1309497 is the registered owner on title of the Vanguard Plant real property, which includes the land, buildings and equipment. 1309497 purchases and sells the Inventory. Farm Credit Canada (“**FCC**”) has a registered first charge on the Vanguard Plant.

Pambrun Plant

14. 1309497 is the registered owner on title to the Pambrun Plant which includes the land, buildings, and equipment. The Inventory at Pambrun is purchased and sold by 1309497. FCC has a registered first charge on the Pambrun Plant.

Ponteix Plant

15. 1309497 is the registered owner on title of the Ponteix Plant, which includes the land buildings, and equipment. 1309497 also purchases and sells the Inventory at the Ponteix Plant. ATB Financial has a registered first charge on the Ponteix Plant.

PEI Plant

16. The PEI Plant located in Slemon, PEI is owned by NLEE and the Inventory at the PEI Plant is purchased and sold by 1309497. BDO was appointed as Receiver over only the accounts receivable and the Inventory in relation to the Company's PEI operations. We understand that Prince Edward Island Century 2000 Fund Inc.'s security registered against the property and equipment ranks in priority to all other creditors and as such they have appointed their own private receiver to realize on the PEI Plant itself.
17. None of the Processing Plants grow the grains they sell to customers. The Plants simply clean and sort the various grains and with some grain blended for specific customers that use it for pet food production.
18. The Company also used several third party locations to store product in Ontario, Quebec and PEI.

RECEIVER'S ACTIVITIES

19. On April 27, 2021, the Receiver attended at Head Office and the Processing Plants and took possession of the Property and the Company's books and records.
20. The Receiver initially changed the locks at the Head Office and engaged four former employees to attend at the Processing Plants daily to inspect and ensure the assets are secure. The Head Office has now been vacated by the Receiver. In addition, the Receiver arranged to continue the Company's insurance at all locations.
21. The Receiver froze the Company's bank accounts, secured the funds on hand and arranged for the status of the accounts to be changed to "for deposit only".
22. The Receiver issued the statutory notice and statements of Receiver for all five entities pursuant to sections 245 and 246 of the *Bankruptcy and Insolvency Act (Canada)* (the "BIA") which were filed with the Office of the Superintendent of Bankruptcy and emailed or mailed to all known creditors of the Company.
23. The Receiver engaged in discussions with the CGC and attended the required *Right to be Heard* meeting on behalf of the Company on April 29, 2021 and reconvened on April

30, 2021. As previously noted, the Grain Licences had been suspended by the CGC on April 19, 2021.

24. In preparation for the *Right to be Heard* meeting, the Receiver was asked to issue and present a Proposed Plan of Action with respect to the unpaid farmers (the “**Producers**”) holding PERs (“**Proposed PER Action Plan**”). In order to allow for the return of grain to the Producers holding PERs, the Receiver would need to be in a position to confirm that there was enough of each specific grain type for all Producers who held a PER for that specific grain type in order to allow for a distribution.
25. As the Receiver could not verify the Inventory on hand at each location without weighing it upon removal, the Receiver’s Proposed PER Action Plan presented to the CGC was as follows:
 - i. *The Receiver will not be contacting any Producers holding primary elevator receipts and will allow the CGC to continue communicating with the producers and in order to complete its review. From our review of Inventory vs. PERs we see only 9 types of like grain that would satisfy all producers for that specific grain and they would require access to more than one elevator in order to satisfy one type of producer. The Receiver has no proof that the Inventory in the books and records of the Company are accurate.*
 - ii. *Therefore, the Receiver requests that the CGC Board consider issuing a short term license to the Receiver for the elevators and as grain dealer in order to allow for the completion of orders on hand and/or sale of all of the Inventory on hand to a third party. The Receiver would in any case, ensure that such proceeds from the sale of grain potentially subject to a PER will be held in trust.*
26. The *Right to be Heard* meeting resulted in the CGC agreeing to reinstate the Company’s Grain Licences, subject to certain conditions. Specifically, the CGC Board requested that the Receiver maintain a trust account for all Inventory sold at any location, including third party locations and elevators not regulated by the CGC. The Receiver confirmed that any and all proceeds are recorded in detail and held in a trust account. Furthermore, the Grain Licences specify that the Receiver may release grain but not accept any new grain onto the CGC regulated Processing Plants.

27. The CGC identified all producers who had delivered grain less than 15 days prior to the receivership and instructed these Producers to file a claim under Section 81.2 of the BIA (“**81.2 Claims**”).
28. The Receiver engaged in numerous discussions with the Producers relating to their 81.2 Claims. The final day to file 81.2 Claims in order to be eligible, was May 26, 2021. All Producers who had been identified by the CGC, filed the 81.2 Claims on time. The Receiver has received thirty-four (34) 81.2 Claims.
29. The Receiver has not yet made any determination on the validity or the priority ranking of the 81.2 Claims filed by Producers. The Receiver will review all the claims, and will seek court direction in due course as to the order of priorities with respect to the 81.2 Claims under the BIA, which include both PERs and Grain Receipts.
30. The Receiver engaged in discussions with customers who had, prior to the Receivership, entered into Inventory sales contracts with the Company where the Inventory was either in transit or held with the customs clearing agent and completed these Inventory sales in the ordinary course of business.
31. Instructed its legal counsel to register the Receivership Order on title, where applicable.
32. In addition, the Receiver:
 - a. opened Canadian and US dollar trust bank accounts in the name of the Receiver;
 - b. prepared and sent accounts receivable collection letters to all customers with outstanding amounts owing;
 - c. terminated all employees of the Company and engaged certain former employees to assist the Receiver with realizing and safeguarding the physical assets subject to the Proceeding;
 - d. administered the Wage Earner Protection Program for the terminated employees and arranged for the issuance of Records of Employment and T4s for 2021;

- e. engaged in discussion with Wells Fargo for the return of their rail cars subject to a true lease agreement;
- f. attended weekly or more often meetings with the CGC to discuss the receivership administration and information regarding its audit;
- g. engaged in discussions with customers and the customs broker regarding various shipments in transit; and
- h. engaged in discussions with several interested parties for the purchase of all or certain grain from the Processing Plants and third party locations.

CREDITORS

33. A summary of the approximate obligations based on the available unaudited books and records of WA Grain is as follows:

- a. Secured – approximately \$28.6 Million to four (4) parties, as follows;
 - i. ATB Financial \$11.9 Million
 - ii. Farm Credit Canada \$4.7 Million
 - iii. Avrio Subordinated Debt Limited Partnership II \$8.0 Million
 - iv. PEI Century 2000 Fund Inc. \$4.0 Million
 - v. Intact / GCNA unknown
- b. Accounts payable – approximately \$20.2 Million to Producers and other suppliers.

ACCOUNTS RECEIVABLE

35. According to the books and records of the Company at the Receivership Date the accounts receivable were recorded to be \$5.2 Million. As at May 27, 2021, the Receiver had collected approximately \$2.9 Million in accounts receivable.

36. Certain customers assert the right to set off for unfulfilled contracts they had negotiated with the Company prior to receivership due to the increase in certain pulse prices. The Receiver will continue to work to collect on the outstanding amounts and resolving any

claims to the right of set off by various counter parties.

INVENTORY

37. Pursuant to Paragraph 3(l) of the Receivership Order, the Receiver is empowered and authorized to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business, to a maximum of any transaction not exceeding \$250,000 with the aggregate consideration for all such transactions not to exceed \$500,000.

Third party locations and PEI Plant

38. Certain Inventory was being stored at third party locations and at the PEI Plant by the Company (collectively “**Storage Inventory**”). The Receiver understands that the Storage Inventory is not subject to the PERs or any CGA claims. All third party locations were owed storage and shipping costs that had accrued over time. In order to access the Storage Inventory, the Receiver has made payments to the third parties totalling approximately \$155,000 to resolve those outstanding claims and allow for release and sale of the Storage Inventory. Without a resolution to these claims the Receiver would likely have incurred significant time and expense to determine what, if any, priority claim the third party storage providers had against the Storage Inventory in their possession.
39. The Receiver concluded that given the distance between the third party storage facilities and the PEI Plant from the Processing Plants in Alberta and Saskatchewan, the Storage Inventory could not be sold collectively with the Inventory located at the Alberta and Saskatchewan Processing Plants.
40. The Receiver engaged in numerous discussions and negotiations with interested parties in order to sell the Storage Inventory located at third party locations throughout Canada and at the PEI Plant. To date the Receiver has sold approximately \$498,000 of Storage Inventory. The Storage Inventory located in Quebec and PEI is currently subject to sales with arm’s length parties in those Provinces.
41. The Receiver is respectfully requesting an increase to the current limits to allow it to

more efficiently complete and close the sale of the Storage Inventory.

Inventory at Processing Plants (excluding PEI Plant)

42. The Receiver was initially contacted by four parties interested in purchasing all the inventory at the Processing Plants in Alberta and Saskatchewan (the “**Processing Plant Inventory**”). Given the level of interest and the nature of the Processing Plant Inventory, the Receiver concluded, that it was in the best interest of the estate to not include the Processing Plant Inventory in the formal proposed SSP but rather offer it for sale through an informal process to those who had contacted the Receiver (“**Inventory Sale**”). The proposed SSP, which is described in full below, would presumably not conclude until mid to late summer 2021. By late summer a new harvest would be available and the Processing Plant Inventory would be deemed old and lose substantial value.
43. The Receiver set a deadline to receive offers for the Inventory Sale from the identified parties, along with their proposed plans to remove the grain. By the deadline date, seven complete offers were received for the Inventory Sale. These offers included pricing, a grain removal plan with timing, and details for grading and weight reductions, if applicable, upon removal.
44. The Receiver found the overall plan and price of Bridge Agri Partners Inc. (the “**Purchaser**”) to be the best offer for the Processing Plant Inventory (the “**Offer**”). The agreement between the parties (“**Inventory Sale Agreement**”) has been initiated with the understanding that it is subject to this Court’s approval. A summary of the offers received along with a copy of the Inventory Sale Agreement can be found as **Confidential Appendices “1” and “2”**, respectively.
45. The Inventory Sale Agreement has incorporated the following terms:
 - a. The Receiver will make available to the Purchaser, the Company’s facilities at the Processing Plants for removal of the Processing Plant Inventory to a location of the Purchaser’s choice and at the Purchaser’s expense.

- b. Payment of the Processing Plant Inventory will occur concurrent with the removal of the Processing Plant Inventory on a shipment by shipment basis within seven (7) days of each shipment.
 - c. Price adjustment clauses have been incorporated to address weight discrepancies only as there will be no reduction for grade discrepancies as described in the Offer.
 - d. The Purchaser will be responsible for managing the removal of the Processing Plant Inventory at its sole expense.
 - e. The Receiver will have its own representative present at each Processing Plant to assist with access to the Processing Plants.
 - f. Full removal of the Processing Plant Inventory is anticipated to occur by July 31, 2021.
46. The Receiver is of the view that the transaction with the Purchaser is a sale out of the ordinary course as it encompasses all of the Processing Plant Inventory. This Offer is acceptable to the Receiver as it is considered commercially reasonable and results in monetizing the Processing Plant Inventory, which is perishable, at good value in a single transaction.

SEALING ORDER

47. The Receiver is seeking a sealing order until further order of the Court in respect of the Confidential Appendices to this report as they contain commercially sensitive information, the release of which prior to the completion of the transaction would be prejudicial to the stakeholders of the Company in the event that the contemplated transaction does not close.

SALES SOLICITATION PROCESS

48. The proposed SSP is attached as **Appendix “A”** to this First Report.

49. The Receiver has engaged in discussions with BDO's Transaction Advisory Services group to develop a plan for a sales solicitation process ("the **SSP**") for the sale of the five Processing Plants subject to the Proceedings.
50. The proposed form of SSP will facilitate the sale of the remaining assets of the Company and will be conducted with the assistance of BDO's Transaction Advisory Services group. BDO Transaction Advisory Services group will act as the sales agent ("**Sales Agent**") under the SSP and assist the Receiver with selling the remaining assets of the Company. The Sales Agent has extensive knowledge in these types of assets.
51. The Receiver's proposed SSP includes three phases expected to take approximately three (3) months and are described below.

Phase 1- Marketing Process

- a. collection and review of key documents;
- b. preparing a list of potential purchasers which included both industry and financial buyers (the "**Potential Buyers' List**");
- c. advertising the opportunity in national edition of the Globe and Mail;
- d. preparing a detailed confidential information memorandum ("**Confidential Information Memorandum**" or "**CIM**") which provides information regarding the Company's business and assets;
- e. creating and populating a virtual data-room (the "**VDR**") with relevant information and documents regarding the Company;
- f. preparing a bid letter which provided instructions on the bid process including the bid deadline (the "**Bid Letter**");
- g. preparing a standard asset purchase agreement to allow all potential purchasers to submit offers on the same basis (the "**Template APA**");
- h. contacting each of the parties included on the Potential Buyers' List, obtaining executed non-disclosure agreements and providing the Confidential Information Memorandum and the Bid Letter; and
- i. solicit preliminary offers and receive letters of intent ("**LOI**").

Phase 2

- a. reviewing submitted LOI's;
- b. selecting which potential purchasers will be invited to perform additional due diligence ("**Phase 2 Qualified Bidders**");
- c. distributing the Template APA to potential purchasers;
- d. arranging and participating in site tours and meetings with the Company's former management and prospective purchasers;
- e. soliciting final offers in the form of the marked-up Template APA;
- f. engaging in negotiations with potential buyers;
- g. consultation with primary stakeholders; and
- h. selecting winning bid.

Phase 3

- a. seeking Court approval; and
- b. further negotiating and completion of closing definitive documents.

52. The following represents a summary of the proposed timeline of the SSP set out above, subject to amendment by the Receiver in its discretion in consultation with the, acting reasonably:

<u>Event</u>	<u>Date</u>
Sales Agent to create list of Potential Bidders and distribute Teaser Letter and Confidentiality Agreements to Potential Bidders	As soon as practical and no later than June 14, 2021
Sales Agent to prepare and have available for Potential Bidders the CIM and VDR	As soon as practical and no later than June 14, 2021
Advertisement in the national edition of the Globe and Mail	June 15, 2021
Non-binding LOI Deadline	By 5 p.m. (MT) July 9, 2021
Selection of Phase 2 Qualified Bidders	Notification to bidders by 5 p.m. (MT) July 16, 2021
Final Qualified Bidder Deadline	5 p.m. (MT) August 6, 2021
Selection of Winning Bid and Final Agreement	As soon as reasonably practicable
Final Agreement	Within 10 days of selection of winning bid (“Final Agreement Deadline”)
Application to the Court for Approval Order(s)	As soon as reasonably practicable after the Final Agreement
Closing of the Transaction	Ten (10) days after obtaining a Sale Approval and Vesting Order

STATEMENT OF RECEIPTS AND DISBURSEMENTS

53. Attached as **Appendix “B”** is a copy of the Receiver’s consolidated Statement of Receipts and Disbursements as at May 27, 2021 (the “**R&D**”) indicating the Receiver maintains \$3,938,318 in its trust accounts. The Receiver does not propose to make any distributions at this time and anticipates seeking the Court’s approval to do so at a future application.

FEES AND DISBURSEMENTS

54. Pursuant to paragraph 18 of the Receivership Order, the Receiver and its counsel shall be paid their reasonable fees and disbursements, in each case, incurred at their standard rates and charges. The Receiver and counsel to the Receiver are entitled to the benefits

of and were granted a charge, (the “**Receiver’s Charge**”) for their professional fees and disbursements. This includes professional fees, incurred at the normal rates and charges of the Receiver and such counsel both before and after the making of the Receivership Order in respect of these proceedings as they constitute part of the Receiver’s Charge. The fees and disbursements of the Receiver for the period April 26, 2021 to May 26, 2021 will be detailed in the affidavit of Marc Kelly, a copy of which will be provided to the Court prior to the upcoming Court application.

55. The detailed narratives contained in the invoices provide a fair and accurate description of the services provided and the amounts charged by the Receiver. Included with the invoices is a summary of the time charges of partners and staff, whose services are reflected in the invoices, including the total fees and hours billed.
56. The fees and disbursements of the Receiver’s counsel, MLT, has rendered two accounts for the period of April 26, 2021 to May 26, 2021 in the amount of \$30,368.61 (including fees, disbursements and GST). The two MLT invoices will be provided to the Court upon request.
57. The Receiver respectfully submits that its fees and disbursements and those of MLT are reasonable in the circumstances and have been validly incurred in accordance with the provisions of the Receivership Order.
58. As noted earlier in this First Report, although the Receiver has yet to obtain independent security opinions. Presently, it appears that ATB Financial and FCC hold first charges on different assets. At this time, it would be the Receiver’s intention to eventually allocate costs associated with the Proceeding as follows:
 - a. Expenses that can be identified as relating to specific assets will be allocated against the recoveries of those specific assets; and
 - b. Expenses that are of a general overall nature, will be allocated on a pro rata basis to assets/secured creditors based on the gross recoveries associated with the assets.
59. Ultimately, the results of this proposed allocation method would be reviewed for

reasonableness in the circumstances and presented to the affected parties prior to formally being presented to the Court for approval

RECOMMENDATIONS

60. For the reasons set out in this First Report, the Receiver recommends to this Honourable Court the following:
- a. increasing the limits established pursuant to paragraph 3(l) of the Receivership Order to a maximum of any transaction not exceeding \$500,000 with the aggregate consideration for all such transactions \$1,500,000;
 - b. approving the proposed SSP;
 - c. approving the sale of the Processing Plant Inventory pursuant to the Inventory Sale Agreement in **Confidential Appendix 2** to this First Report;
 - d. approving the actions and activities of the Receiver described herein;
 - e. approving the R&D;
 - f. approving the fees and disbursements of the Receiver and its legal counsel, MLT, as outlined herein and detailed in the supporting fee affidavit, and authorizing the Receiver to pay all approved and unpaid fees and disbursements; and
 - g. sealing the Confidential Appendices on the Court record.

All of which is respectfully submitted this 31st day of May, 2021.

BDO Canada Limited
in its capacity as Receiver and Manager of W.A. Grain Holdings Inc.
1887612 Alberta Ltd. 1309497 Alberta Ltd. New Leaf Essentials (West) Ltd.
and certain assets of New Leaf Essentials (East) Ltd.
and not in its personal or corporate capacity

Per:



 Marc Kelly
 Senior Vice President



 Anna Koroneos
 Vice President

APPENDIX “A”

SALES SOLICITATION PROCESS

IN THE MATTER OF THE RECEIVERSHIP OF W.A. Grain Holdings Inc., 18887612 Alberta Ltd., 1309497 Alberta Ltd. (o/a W.A. Grain & Pulse Solutions), New Leaf Essentials (West) Ltd., 1887612 Alberta Ltd. and certain assets of New Leaf Essentials (East) Ltd.,

INTRODUCTION

1. On April 26, 2021, the Court of Queen's Bench of Alberta (the "**Court**") granted an order appointing BDO Canada Limited ("**BDO**") as the receiver of W.A. Grain Holdings Inc., 18887612 Alberta Ltd., 1309497 Alberta Ltd. (o/a W.A. Grain & Pulse Solutions) ("1309497"), New Leaf Essentials (West) Ltd. ("NLEW") and certain assets of New Leaf Essentials (East) Ltd. ("NLEE") (collectively "**W.A. Grain**").
2. The assets referred to in this document relate to W.A. Grain's Alberta and Saskatchewan facilities and equipment (collectively the "**Alberta and Saskatchewan Assets**").
3. Pursuant to the Order of the Court dated June 9, 2021 (the "**SSP Order**"), the Court approved the sales solicitation process set out herein (the "**SSP**").
4. Pursuant to the SSP Order, the Receiver is utilizing BDO's Transaction Advisory Services group to act as its sales Agent (the "**Sales Agent**").
5. The Sales Agent will develop a list of Known Potential Bidders (as defined below), communicate and meet with interested parties, prepare and distribute marketing materials, and manage the Virtual Data Room ("**VDR**").

SSP OVERVIEW

6. The purpose of the SSP is to solicit interest in a sale or liquidation of all, or substantially all, of the Alberta and Saskatchewan Assets.
7. The SSP describes the manner in which individuals, corporations, limited and unlimited liability companies, general and limited partnerships, associations, trusts, unincorporated organizations, joint ventures, governmental organizations or other entities (each, a "**Person**") may gain access to or continue to have access to due diligence materials concerning the Alberta and Saskatchewan Assets, and how bids involving the Alberta and Saskatchewan Assets will be submitted to and dealt with by the Receiver and the Sales Agent, and how Court approval will be obtained in respect of any Transaction (as defined below).
8. As described below, the various deadlines herein may be extended by and at the discretion of the Receiver. The Receiver will consider extending the various deadlines herein, in the event that the Receiver determines that such an extension will generally benefit W.A. Grain's creditors and other stakeholders. The Receiver shall generally oversee the SSP and in particular shall oversee the Sales Agent in connection therewith. In the event that there is a disagreement as to the interpretation or application of the SSP, the Court will have jurisdiction to hear and resolve such dispute.

"AS IS, WHERE IS" BASIS

9. Any transaction involving all or any portion of the Alberta and Saskatchewan Assets (each a "**Transaction**") will be completed with Court Approval on an "as is, where is" basis and without surviving representations, warranties, covenants or indemnities of any kind, nature, or description by the Sales Agent, the Receiver, or any of their respective agents, estates, advisors, professionals or otherwise, except to the extent expressly set forth in the relevant Final Agreement (as defined herein).
10. The key dates pursuant to the SSP are as follows (capitalized terms in the chart below have the meaning ascribed in the SSP):

<u>Event</u>	<u>Date</u>
Sales Agent to create list of Potential Bidders and distribute Teaser Letter and Confidentiality Agreements to Potential Bidders	As soon as practical and no later than June 14, 2021
Sales Agent to prepare and have available for Potential Bidders the CIM (defined herein) and VDR	As soon as practical and no later than June 14, 2021
Advertisement in the national edition of the Globe and Mail	June 15, 2021
Non-binding LOI Deadline	By 5 p.m. (MT) July 9, 2021
Selection of Phase 2 Qualified Bidders	Notification to bidders by 5 p.m. (MT) July 16, 2021
Final Qualified Bidder Deadline	5 p.m. (MT) August 6, 2021
Selection of Winning Bid and Final Agreement	As soon as reasonably practicable
Final Agreement	Within 10 days of selection of winning bid ("Final Agreement Deadline")
Application to the Court for Approval Order(s)	As soon as reasonably practicable after the Final Agreement
Closing of the Transaction	Within ten (10) days of the Approval and Vesting Order(s)

THE SSP PROCESS

A. Initial Solicitation of Interest

11. The Sales Agent may contact any Persons to solicit expressions of interest in a Transaction either before or after the granting of the SSP Order.
12. As soon as reasonably practicable after the granting of the SSP Order and in any event by no later than June 14, 2021, in consultation with the Receiver, the Sales Agent will prepare a list of potential bidders (the "**Known Potential Bidders**") who may have interest in the Alberta and Saskatchewan Assets pursuant to an asset purchase transaction (an "**Asset Bid**"). Concurrently, the

Sales Agent will prepare an initial offering summary (the "**Teaser Letter**") notifying Known Potential Bidders and any other interested persons of the SSP and inviting them to express interest in making an Asset Bid. The Teaser Letter shall be posted on the Receiver's Website and that of the Sales Agent.

13. On or about June 15, 2021 the Sales Agent will place an advertisement in the national edition of the Globe and Mail advising of the sale of the Alberta and Saskatchewan Assets.
14. By no later than June 14, 2021, the Sales Agent shall distribute to the Known Potential Bidders and any other interested Persons the Teaser Letter, as well as a form of confidentiality agreement (the "**Confidentiality Agreement**") that shall inure to the benefit of the Person or Persons who make the Winning Bid(s) (as defined herein) pursuant to this SSP. Copies of the Teaser Letter and Confidentiality Agreement shall be provided to any appropriate Persons who becomes known to the Sales Agent after the initial distribution of such documents.
15. Any Person (a) who executes a Confidentiality Agreement in form and substance satisfactory to the Sales Agent and the Receiver, and (b) provides written confirmation of the identity of the potential bidder, including its direct and indirect principals and financial disclosure or credit quality support sufficient to allow the Sales Agent, in consultation with the Receiver, to make a reasonable determination as to its capabilities to conclude a transaction, shall be deemed to be a potential bidder (each, a "**Potential Bidder**").

B. Due Diligence

16. The Sales Agent shall provide each Potential Bidder with information, including access to an VDR established by the Sales Agent by no later than June 14, 2021, that the Sales Agent in its reasonable business judgment determines to be necessary for the Potential Bidder to evaluate a transaction involving an Asset Bid.
17. The Sales Agent will prepare a confidential information memorandum ("**CIM**") by no later than June 14, 2021, describing the opportunity to make a SSP Bid and shall deliver the CIM to each Potential Bidder as soon as practicable after such Person is deemed to be a Potential Bidder in accordance with this SSP.
18. The Receiver and the Sales Agent shall coordinate all reasonable requests for additional information and due diligence access from Potential Bidders. However access to facilities will only be granted to Phase 2 Qualified Bidders (as defined below) after they are selected. Neither the Receiver nor the Sales Agent will be obliged to furnish any information relating to the Alberta and Saskatchewan Assets other than to a Potential Bidder.
19. The Sales Agent, the Receiver and their respective advisors make no representation or warranty as to the information made available pursuant to the SSP, including any information contained in the VDR.

C. LOI Process

20. Any Potential Bidder who wishes to submit an Asset Bid must deliver a written, non-binding letter of intent (each, a "**LOI**") to the Receiver and the Sales Agent at the address specified in and in accordance with Schedule "A" hereto so as to be received by the Receiver and Sales Agent not later than **5:00 p.m. (Mountain Time) on July 9, 2021**, or such other date or time as the Receiver may determine (the "**LOI Deadline**").

21. Following the LOI Deadline, all LOIs shall be reviewed by the Receiver and the Sales Agent.
22. An LOI shall be a qualified LOI (each, a "**Qualified LOI**") provided that:
 - (a) it is submitted on or before the LOI Deadline by a Potential Bidder;
 - (b) a letter setting forth the identity of the Potential Bidder, the contact information for such Potential Bidder and full disclosure of the direct and indirect owners of the Potential Bidder and their principals;
 - (c) it identifies:
 - (i) the purchase price in Canadian Dollars
 - (ii) whether the Asset Bid is *en bloc*, the Alberta and Saskatchewan Assets included, any of the Alberta and Saskatchewan Assets expected to be excluded, and/or any additional assets desired to be included in the Transaction;
 - (iii) confirmation that the Potential Bidder has sufficient funds to complete the Transaction;
 - (iv) the proposed treatment of any leases and other material contracts;
 - (v) any anticipated corporate, shareholder, internal or regulatory approvals required to close the transaction and the anticipated timeframe and any anticipated impediments for obtaining such approvals;
 - (vi) any anticipated due diligence to be completed by Potential Bidder prior to Closing Date;
 - (vii) must not be subject to any conditions other than approval by the Court of Queen's Bench of Alberta (the "**Court**") and the LOI must acknowledge that it is subject to Court approval;
 - (viii) contemplates a schedule for closing the Transaction set out therein which is on or before August 31, 2021 (the "**Closing Date**"); and
 - (ix) contains such other information as reasonably requested by the Selling Agent or Receiver from time to time.
23. Any Potential Bidder who submits a Qualified LOI on or before the LOI Deadline shall be designated a "**Qualified Bidder**".
24. The Receiver, may waive strict compliance of one or more of the requirements specified above and deem any LOI to be a Qualified LOI, notwithstanding any noncompliance with the terms and conditions of this SSP.
25. In the event that no Person submits an LOI, or that no LOI qualifies as or is deemed to qualify as a Qualified LOI, or that no Qualified Bidder is deemed commercially reasonable to the Receiver, the Receiver may terminate the SSP. If no Qualified LOIs are received by the LOI Deadline, the Receiver may consider other forms of bids for the Alberta and Saskatchewan Assets. At any time during the SSP, the Receiver may determine that any LOI is a Winning Bid and seek Approval

Orders in respect of such Winning Bid(s) from the Court.

26. The Sales Agent may invite Qualified Bidders to conduct additional due diligence or otherwise make available to Qualified Bidders additional information not posted in the VDR, arrange for inspections and site visits at W.A. Grain's premises, as determined by the Sales Agent.

D. Selection of Phase 2 Qualified Bidders

27. The Receiver shall review all Qualified LOIs in consultation with the Sales Agent.
28. Following such review of Qualified LOIs the Receiver shall select Qualified Bidders to participate in a second round of bidding (the "**Phase 2 Qualified Bidders**");
29. Phase 2 Qualified Bidders will be notified of their selection for the second round of bidding by 5 p.m. (Mountain Time) July 16, 2021;
30. Qualified Bidders that are not selected as Phase 2 Qualified Bidders will also be notified by 5 p.m. (Mountain Time) July 16, 2021;

E. Phase 2 Bid Deadline

31. Phase 2 Qualified Bidders will be expected to complete any remaining due diligence including inspection of facilities and equipment between July 16, 2021 and the Final Qualified Bid Deadline of 5 p.m. (Mountain Time), July 30, 2021;
32. A proposed form of Purchase and Sales Agreement (PSA) will be made available in VDR to Phase 2 Qualified Bidders on July 6, 2021 for review and mark up;
33. Phase 2 Qualified Bidders will be expected to submit their final bids in the form of the PSA by the Final Qualified Bid Deadline of 5 p.m. (Mountain Time), August 6, 2021;
34. The PSA submission must be accompanied by a 20% deposit payable to "BDO Canada Limited - in trust" (the "**Deposit**") by way of wire transfer (to the instructions included in Schedule "A"), bank draft or certified cheque.

F. Selection of Winning Bid

35. The Receiver in consultation with the Sales Agent shall review all final bids and PSAs received by the Final Qualified Bid Deadline, provided any such PSA complies with the requirements set out in section 22 above, and shall determine what PSAs shall be "**Phase 2 Qualified Bids**",
36. The Receiver may, but shall have no obligation to enter into a definitive agreement or agreements (each a "**Final Agreement**") with the Person or Persons who submitted the highest, best or otherwise most favourable Phase 2 Qualified Bid.
37. The highest Phase 2 Qualified Bid may not necessarily be accepted by the Receiver. The Receiver reserves the right not to accept any Phase 2 Qualified Bid or to otherwise terminate the SSP. The Receiver further reserves the right to deal with one or more Phase 2 Qualified Bidders to the exclusion of other Persons, to accept a Phase 2 Qualified Bid for some or all of the Alberta and Saskatchewan Assets or to accept multiple Phase 2 Qualified Bids and enter into multiple Final Agreements.

38. In the event that the Receiver enters into one or more Final Agreements any Phase 2 Qualified Bid so selected shall be a "**Winning Bid**". Any Phase 2 Qualified Bidder that makes a Winning Bid shall be a "**Successful Bidder**".
39. This SSP shall be suspended in the event that: (a) no Phase 2 Qualified Bidder submits or is deemed to have submitted a Phase 2 Qualified Bid; (b) the Receiver determines that none of the Phase 2 Qualified Bids should be accepted; or (c) a Final Agreement has not been entered into before the Final Agreement Deadline.

G. APPROVAL ORDERS

40. In the event that Receiver enters into a Final Agreement(s), the Receiver shall apply as soon as reasonably practicable thereafter, for order(s) (the "**Approval Order**") from the Court, in form and substance satisfactory to the Receiver, approving the transaction contemplated by the Winning Bid(s) and any necessary related relief required to consummate the Transaction contemplated by the Winning Bid(s), subject to the terms of the Final Agreement(s).
41. An Approval Order shall become a "**Final Order**" upon satisfaction of the following conditions: (a) it is in full force and effect; (b) it has not been reversed, modified or vacated and is not subject to any stay; and (c) all applicable appeal periods have expired and any appeals therefrom have been finally disposed of, leaving the Approval Order wholly operable.

H. CLOSING

42. Closing of the transactions contemplated in any Final Agreement shall occur within ten (10) days of the date upon which the Approval Orders have become Final Orders, or as may be extended with the approval of the Receiver.

I. DEPOSITS

43. All Deposits paid pursuant to this SSP shall be held in trust by the Receiver in a non-interest bearing account. The Receiver shall hold Deposits paid by each of the Successful Bidder in accordance with the terms outlined in this SSP. In the event that a Deposit is paid pursuant to this SSP and the Receiver elects not to proceed to negotiate and settle the terms and conditions of a definitive agreement with the Person that paid such Deposit, the Receiver shall return the Deposit to that Person.
44. In the event that a Successful Bidder defaults in the payment or performance of any obligations owed to the Receiver or the Sales Agent pursuant to any Final Agreement, the Deposit paid by the Successful Bidder as applicable, shall be forfeited to such party as liquidated damages and not as a penalty.

J. CONFLICTS OF INTEREST

45. Until such time as any secured creditor of W.A. Grain has: (i) irrevocably declared its intention not to submit a bid; (ii) its LOI has been irrevocably disqualified under the SSP; or (iii) its Phase 2 Qualified Bid has been irrevocably determined not to be the Winning Bid), such secured creditor:

- shall only receive information regarding the SSP in keeping with his or her capacity as a

Potential Bidder in these proceedings; and

- shall receive no information whatsoever regarding other bids in the SSP.

46. If any secured creditor determines that it will submit a bid in the SSP, such secured creditor shall advise the Receiver of such intent as soon as reasonably practicable, and no later than seven (7) days before the LOI Deadline.

K. COVID-19

47. This SSP shall be interpreted so as to comply and be consistent with any applicable laws, regulations or public health directives related to the COVID-19 pandemic, and may be amended at any time with the approval of the Receiver to the extent necessary or advisable to comply with same.

SCHEDULE "A"

Addresses for Deliveries and Wire Transfer Information

Any notice or other delivery made to the Receiver pursuant to this SSP shall be made to:

BDO Canada Limited
110, 5800 – 2nd Street SW
Calgary, AB T2H 0H2
Attention: Marc Kelly
Tel: 403-536-8510
Email: makelly@bdo.ca

with copy to:

MLT Aikins LLP
2100 Livingston Place,
222 – 3 Avenue SW
Calgary, AB T2P 0B4
Attention: Ryan Zahara
Tel: 403-693-5420
Email: rzahara@mltaikins.com

Any notice or delivery made to the Sales Agent pursuant to this SSP shall be made to:

BDO Transaction Advisory Services Inc.
9897 34 Avenue NW
Edmonton, AB T6E5X9
Attention: Adam Mallon
Tel: (780) 643-6192
Email: AMallon@bdo.ca

Deliveries pursuant to this SSP by email shall be deemed to be received when sent. In all other instances, deliveries made pursuant to this SSP shall be deemed to be received when delivered to the relevant address, as identified above.

Wire transfer details for the Receiver:

BDO Canada Limited as Receiver of 1309497 Alberta Ltd. (o/a WA Grain & Pulse Solutions)
#110, 5800 – 2nd Street SW, Calgary, AB, T2H 0H2 TEL: (403 777-9999)
Account: 00769044479

For receiving CAD funds from within Canada:
Beneficiary Bank: Alberta Treasury Branches, 239 – 8 Avenue SW, Calgary, AB T2P 1B9
Bank No: 219 Transit: 07609

For receiving CAD funds from another country:
Beneficiary Bank: Alberta Treasury Branches, 239 – 8 Avenue SW, Calgary, AB T2P 1B9
SWIFT Code: ATBRCA6EXXX
Bank code and Transit: 219 07609

APPENDIX “B”

APPENDIX "B"

**WA Grain & Pulse Solutions et. al
Combined Statement of Receipts and Disbursements
April 26, 2021 to May 27, 2021**

Receipts

Cash (bank)	\$	1,058,350
Accounts receivable		2,876,096
Sale of inventory offsite		497,643
Sale of inventory - Slemon, PEI		10,336
Sale of assets other		4,132
GST/HST collected		19,830

Total Receipts \$ 4,466,387

Disbursements

Pre receivership payroll		159,206
Pre receivership storage payments		167,171
Freight		65,093
Independent contractors		47,765
Property tax		25,833
Repairs and maintenance		25,693
Insurance		13,486
Computer services		9,256
Taking possession, security		6,062
Utilities		3,256
Occupation rent		3,000
Licence - Grain Commission		658
GST paid		780
Filing fees		365
Bank charges/other		243
Courier		203

Total Disbursements \$ 528,069

Receipts over disbursements \$ 3,938,318