

District of Alberta  
Division No. 1 - Edmonton  
Estate No.: 24-1726072

## TRUSTEE'S PRELIMINARY REPORT

### IN THE MATTER OF THE BANKRUPTCY OF PEACE RIVER SEED CO-OPERATIVE LIMITED OF THE TOWN OF RYCROFT, IN THE PROVINCE OF ALBERTA

**BDO CANADA LIMITED**  
Trustee in Bankruptcy

#### SECTION A - BACKGROUND

On March 18, 2013, Peace River Seed Co-operative Limited ("PRSC" or the "Company") filed an assignment in bankruptcy with the Office of the Superintendent of Bankruptcy.

PRSC was incorporated in 1972 and was a member owned agricultural cooperative consisting of approximately 800 producers in the Peace River Area of Alberta and British Columbia. The Rycroft plant operated since 1972 and provided cleaning services for all pedigreed and commercial grass and legume seeds. In 2009, PRSC expanded its operations by purchasing a seed cleaning plant in Sexsmith, Alberta for \$2.1 million. The purchase was financed by a credit facility arranged by Farm Credit Canada.

The cause of insolvency was due to a weak economy for grass seeds and legumes from 2009 until present. As a result, the Company suffered significant operating losses and was unable to service debt payments to the secured creditors.

#### SECTION B - ASSETS AND SECURITY INTERESTS

The Trustee reports that there are two seed cleaning plants. The first located in Rycroft, Alberta and the second located in Sexsmith, Alberta. Included with the properties are office/warehouse space and related equipment and tools for this type of operation.

##### Secured Claims

The Statement of Affairs includes secured creditors with amounts totalling approximately \$2,000,000. The Trustee advises that the following secured creditors have properly registered a security interest at the Personal Property Registry of Alberta and/or at Land Titles as required:

- Alberta Treasury Branch ("ATB") - estimated at \$300,000
- Farm Credit Canada ("FCC") - estimated at \$1,700,000

The Trustee has issued a Notice to Prove security to these secured claimants.

## **SECTION C - CONSERVATORY AND PROTECTIVE MEASURES**

As a result of encumbrances against the assets of the Company, the Trustee has not taken possession or control of the Company assets.

The Trustee reports that a Receiver has been appointed in the circumstances by FCC (discussed later in the report), and the Receiver has completed the necessary possession/safeguarding measures to secure the properties, assets and books and records of the Company.

## **SECTION D - PROVABLE CLAIMS**

At the date of this report, the Trustee has received two (2) claims totalling \$2,117.87 and they appear to reasonably correspond to the bankrupt's statement of liabilities.

## **SECTION E - LEGAL MATTERS REVIEWABLE TRANSACTIONS AND PREFERENCE PAYMENTS**

At this time, the trustee is not aware of any reviewable transactions. The Trustee will continue to review the books and records of the Company to ascertain if any reviewable transactions or preferential payments have occurred.

## **SECTION F - ANTICIPATED REALIZATIONS AND PROJECTED DISTRIBUTION**

It is not known at this time whether there will be any dividend distributions available to the unsecured ordinary creditors of this Estate.

## **SECTION G - OTHER MATTERS**

The Trustee obtained an independent legal opinion verifying the validity of FCC's security as against the Trustee, and as a result, on March 18, 2013, BDO Canada Limited was also appointed as the Receiver pursuant to Security Agreements granted in favour of FCC.

The FCC has provided an indemnity to guarantee the fees of the Trustee.

The Trustee is not aware of any other matters affecting the Estate, however, if anyone is aware of matters that should be brought to the attention of the Trustee for further review and investigation, please contact the Trustee's office with details and copies of any available documentation.

Dated at the City of Edmonton, the 28th day of March, 2013.

**BDO CANADA LIMITED**  
Trustee for the estate of  
Peace River Seed Co-operative Limited

Per:

  
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Matt McCulloch, CA•CIRP  
Trustee in Bankruptcy