

CANADA)
PROVINCE OF SASKATCHEWAN)

IN THE QUEEN'S BENCH
JUDICIAL CENTRE OF SASKATOON

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36

AND IN THE MATTER OF A PROPOSED PLAN OF ARRANGEMENT FOR THE
CREDITORS OF STOMP PORK FARM LTD.

STOMP PORK FARM LTD.

APPLICANT

THIRD AFFIDAVIT OF IVAN STOMP

I, IVAN STOMP, of the District of Humboldt, in the Province of Saskatchewan, MAKE
OATH AND SAY:

1. I am the President and Chief Executive Officer of Stomp Pork Farm Ltd., the Applicant in the within action and as such have personal knowledge of the facts and matters herein deposed to except where stated to be based on information and belief, and whereso stated, I verily believe the same to be true.
2. I make this Third Affidavit to supplement the previous Affidavits sworn by me and filed in these proceedings.

Restructuring Efforts by the Applicant

3. On March 27, 2007, this Honourable Court granted to Stomp Pork Farm Ltd. (“Stomp”) an Amended Ex Parte Initial Order (the “Initial Order”) under the Companies' Creditors Arrangement Act.
4. Since that time, Stomp has worked diligently and in good faith, with the assistance of its legal counsel, the Monitor, and its financial advisor, Prowis Inc., to pursue the restructuring of its business and financial affairs. Since the Initial Order, Stomp Pork Farm has been extraordinarily busy, attending to its business operations and to the restructuring process.
5. The efforts of Stomp have been focused on the following:
 - (a) Finalizing arrangements with respect to the granting and advance of financing under the Interim DIP Facility granted to Stomp by Farm Credit Canada (“FCC”), pursuant to the terms of the Initial Order;
 - (b) Finalizing banking arrangements for the business operations of Stomp since the granting of the Initial Order, in conjunction with FCC and with respect to National Bank of Canada (the “Bank”);
 - (c) Working in cooperation with the Monitor to communicate the terms of the Initial Order to secured creditors, unsecured creditors, and other persons interested in the operations of Stomp;
 - (d) Working with the major stakeholders involved in the U.S. operations of Stomp. This included a trip to the United States by the Chief Operating Officer of Stomp to review the situation with the American stakeholders, and to discuss their concerns;
 - (e) Working with the Monitor to develop and refine projections for profit and loss

and cash flow requirements for Stomp through to May 16;

- (f) Working with the Monitor and FCC to develop and refine the reporting necessary to meet the requirements of the Interim DIP Facility provided pursuant to the terms of the Initial Order;
- (g) Working with the Monitor to complete, certify, and deliver the reporting necessary to meet the requirements of the Interim DIP Facility;
- (h) Answering inquiries from the Bank with respect to the margining position of its security, and providing the Bank with the FCC reporting;
- (i) Meeting and interviewing the principals of Prowis Inc. (“Prowis”) with respect to their possible retainer as a financial advisor and/or Chief Restructuring Officer. This process included spending time acquainting Prowis with the operations of Stomp, its financial position, the respective security positions of the creditors, and other information of benefit to Prowis in determining whether to accept the retainer;
- (j) Entering into a retainer agreement with Prowis whereby Prowis has agreed to act as financial advisor to Stomp, with respect to the restructuring;
- (k) Entering into discussions with Prowis with respect to the terms and conditions upon which Prowis will be prepared to accept an appointment as Chief Restructuring Officer of Stomp;
- (l) From and after the retainer of Prowis, meeting with Prowis and the Monitor to review and revisit and update profit and loss and cash flow projections;
- (m) With the support and assistance of Prowis, attending meetings and conference calls with FCC, National Bank, and Cargill;

- (n) Dealing with and making payment arrangements with unsecured suppliers to ensure the ongoing supply of required goods to Stomp in the wake of the Initial Order;
- (o) Instructing counsel, preparing and obtaining an Order to effectively exclude the U.S. operations from the scope of the Initial Order.

Interim DIP Facility

- 6. The circumstances surrounding the initial administration of the Interim DIP Facility granted pursuant to the Initial Order have already been addressed in material filed before this Honourable Court.
- 7. From and after April 3, 2008, the administration of the Interim DIP Facility has been satisfactory. FCC has advanced funds when required.
- 8. To ensure that the invoices of Cargill have been paid on a go-forward basis, arrangements were made whereby Cargill would submit its invoices to FCC, which would in turn provide these to Stomp. For the better part, these payments to Cargill have been made daily. Upon verification by Stomp, these invoices would then be paid directly by FCC pursuant to the DIP Facility.
- 9. I cannot predict where the draw on the DIP Facility will be as at the return date of April 22, 2008, however can state that it presently stands at just under \$2 million.
- 10. Banking arrangements have remained in place with National Bank. The only difference from previous arrangements has been that, of course, the Bank will not allow any accounts to go into an overdraft position. A second change has been that an account which had been established prior to the Initial Order, for the purposes of defeating cheque fraud is now being used by Stomp as its primary bank account.
- 11. Since this matter was last in court on April 3, 2008, a cheque in the sum of \$1.5

million has been received from the Targeted Assistance Program. These funds have deposited in the Bank and are part of the cash balance on hand.

12. Subsequent to the Order granted on April 3, excluding the U.S. operations, it came to Stomp's attention that there were certain funds being deposited into the existing U.S. dollar account which did not, in fact, emanate from U.S. operations. Rather, those funds arose from the sale of pigs by Stomp into the United States. Accordingly, arrangements were made, with the agreement of the Bank, to have those funds routed differently, so as to ensure that they did not enter the U.S. Dollar account presently maintained for the purposes of the U.S. operations.

Communication with the Unsecured Creditors

13. Under the terms of the Initial Order, the Monitor was responsible for communicating that Order and Notice of the Proceedings to creditors of Stomp. It is my understanding that the process is complete, and that Demands for Notice have been received from a number of creditors.
14. As a result of that communication and various news reports, Stomp has received numerous inquiries with respect to the status of its operations from various creditors. The Company has attempted to answer these inquiries.
15. Of particular importance have been inquiries made with respect to the supply of goods by creditors, post-filing.
16. In many cases, it is difficult to pay post-filing creditors on a C.O.D. basis. Accordingly, they have agreed to enter into an arrangement whereby they will present invoices on Thursday, and be paid on Friday. This seems to have alleviated any concern on the part of most creditors.
17. In some cases, however, there are creditors who have larger concerns, who have not been prepared to proceed on this basis. For example, Stomp has recently concluded

discussions with SaskEnergy, whereby it has been agreed that a prepayment plan will be entered into, pursuant to which Sask Energy's post-filing supply will be secured.

Financial and Restructuring Advice

18. After the granting of the Initial Order, it was apparent that additional resources needed to be brought to bear with respect to both the communication issues, the matter of an overall strategy and thereafter executing that strategy with respect to a restructuring of Stomp's affairs.
19. Accordingly, on Thursday, April 3, 2008, discussions began with Prowis. Prowis are specialists in business restructuring, based in Toronto. I am advised that Prowis has extensive experience in restructuring in a number of industries.
20. On Friday, April 11, 2008, Prowis was formally retained by the Company to act as a financial advisor for the purposes of further exploring options for restructuring.
21. Under the terms of that retainer, Prowis required a deposit of a retainer of \$20,000.00, and it was agreed that Prowis would bill the Company at the hourly rates of the professionals working on the file, which ranged from \$250.00 to \$495.00 per hour. It was also agreed that Prowis would further consider whether it would accept an appointment as Chief Restructuring Officer of the Company, and the basis upon which it would seek to be remunerated for that position.
22. Stomp has developed great confidence in the abilities of Prowis and the expertise that Prowis brings to bear on this situation. Accordingly, I have instructed counsel for Stomp to seek an Order appointing Prowis as the Chief Restructuring Officer of Stomp, on the following basis:
 - (a) The appointment will be done in a manner designed to minimize any duplication of effort between the CRO and the Monitor;

- (b) Management of the day-to-day operations of the Company is, in my respectful opinion, in safe hands. Accordingly, there is no need to incur costs by having a CRO take any role in the actual operation of the Company;
 - (c) The role of Prowis would be to continue to advise the Company with respect to its restructuring operations, to act as liaison with the various creditors, and to negotiate any possible arrangements among those creditors and the Company, to permit a Plan of Arrangement to be presented to this Honourable Court.
 - (d) Under the terms proposed by Prowis, the former arrangement to pay on an hourly rate basis would be replaced with the following arrangement:
 - (e) Prowis would earn professional fees of \$15,000.00 per week. The minimum fee to be paid to Prowis would be \$120,000.00 (8 weeks of assistance);
 - (f) Prowis would receive a success fee of \$200,000.00, upon creditor approval of a Plan of Reorganization;
 - (g) Prowis would receive a further success fee of \$50,000.00, upon Court approval of any Plan of Reorganization;
 - (h) Prowis would receive a success fee of 1.5% of any additional funding raised to support the operations of Stomp.
23. Stomp is satisfied that the fee arrangement proposed by Prowis constitutes good value for the money, and is particularly attracted to the success-based portion of the fee arrangement.

Communication with the Secured Lenders

24. Given their importance, the most urgent communications have been with the senior secured lenders, FCC and the Bank.

25. There are two areas of uncertainty which have informed much of these discussions.
26. The first relates to the matter of financing the reorganization of Stomp.
27. While each of these lenders has an obvious interest in the cash flows and the profit and loss position of Stomp, a matter of immediate concern to each has been, and likely will be, the strength of their security position, and what effect the passage of time and the reorganization process will have on the value of that security.
28. At present, the lender which appears to have the more pressing concern is the Bank, as the value of its security (the inventory) will be most affected by changes in the hog market, and in the cost of inputs. The concern is, of course, compounded by the fact that, for the present, the Bank's security is also subordinate to the entirety of the charge securing the Interim DIP Facility.
29. For this reason, and in an effort to provide comfort to the lenders, time has been spent trying to find solutions that may give comfort to both senior secured lenders. Prowis has spent time this week in an effort to find common ground between FCC and the Bank with respect to a number of issues, and in particular, that of the nature of and conditions that would govern future DIP lending in this matter. Those discussions continue.
30. The second uncertainty arises because of the present situation in the US market.
31. The hog market in the US is presently in what I hope is a temporary state of uncertainty. That uncertainty arises as a result of the federal legislative agenda in the United States.
32. Agriculture policy in the US is generally embodied in omnibus legislation, which is known colloquially as the "U.S. Farm Bill". The U.S. Farm Bill typically contains a host of provisions governing things such as crop insurance, funding of agriculture, research, price support programs, import and export provisions.

33. The last U.S. Farm Bill was passed in 2002. A 2007 version has been prepared, and was intended to be passed before October 1, 2007, which is when the previous Farm Bill was set to expire. A number of difficulties have arisen, and the 2002 Bill has been extended by both the House of Representatives and the Senate to April 18, 2008.
34. I am advised by my review of news reports, and discussions I have had with others involved, that there are substantial differences between the versions of the Farm Bill passed by the House and that passed by the Senate. I am also advised that it is generally expected that the President will likely "veto" both versions of the Bill, because they involve spending in excess of the President's view of what is appropriate.
35. The significant aspect of the Farm Bill, for Stomp, relates to what is known as "country of origin labeling" ("COOL"). The present Farm Bill provides for COOL, which means that any agricultural product placed for sale in the United States will have to have its country of origin displayed thereon. Accordingly, even though Stomp's finishing operations are based in the United States, pork emanating from Stomp would have to be labeled as having a connection to Canada.
36. It is unknown what the impact of this would be on the marketing of agricultural products, should it become law. Nevertheless, it has caused great concern to American operators who purchase Canadian products. As a result, some U.S. packers have indicated that they will refuse hogs originating from Canada, and, indeed, newspaper reports indicate that this has already begun to happen. This, and other aspects of the proposed legislation, have negatively impacted hog prices.
37. Based on my experience in the industry, and discussions I have had with others, it is my opinion that the present hog pricing arrangement constitutes a "full discount" for the potential effects of COOL. In other words, hog prices presently reflect the worst-case scenario (and perhaps even worse than that) which would arise upon passage of the U.S. Farm Bill in its present form.

38. Based upon my review of the news, and my discussions with others in the industry, I am of the understanding that the most likely result, should the Farm Bill not be passed before the present deadline, is that the 2002 U.S. Farm Bill will be extended for one year to give the various parties an opportunity to negotiate a compromise arrangement.
39. Even though this will not ultimately resolve the long-term situation with respect to COOL, I would expect such an interim measure to have an immediate positive impact on hog prices, thereby hopefully contributing significantly to the profit and loss and cash flow analysis for Stomp.
40. On the other hand, even if the Farm Bill should pass, it is also my opinion that, once the fate of the Farm Bill is known, the marketplace will react immediately, and will undoubtedly react positively, once certainty is achieved.
41. Until then, of course, there is great uncertainty, and as was noted above, this uncertainty affects the position of the secured lenders.

Extension of Stay of Proceedings

42. In the circumstances which presently face Stomp, being the immediate prospect of developments with respect to hog pricing, uncertainty over the manner in which DIP Financing will be charged, and the need for further discussions with the stakeholders, Stomp essentially proposes to extend the stay of proceedings for a short period to permit the financial situation to clarify, and to permit each of the affected parties to fully assess its position before any further stay of proceedings is sought.
43. It is Stomp's intention that this extension will provide some comfort to the parties that their situation will likely not change substantially in the meantime, and that the parties should be better informed as a result.
44. For the purposes of ensuring an orderly administration of the file, I have instructed counsel to seek an extension, such that the stay of proceedings would expire at 11:59


p.m. (Central Standard Time) on Monday, May 12, 2008.

45. I make this Affidavit in support of an application to appoint a Chief Restructuring Officer, and to extend the stay of proceedings in this matter to Monday, May 12, 2008.

SWORN BEFORE ME in the)
District of Humboldt, in the)
Province of Saskatchewan,)
this 17th day of April, 2008.)



A COMMISSIONER FOR OATHS



IVAN STOMP

In and for the Province of Saskatchewan.

My Commission expires: March 2009

This document was delivered by:

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