



MEYERS NORRIS PENNY LIMITED

THE CREDITORS OF FARMPURE SEEDS INC.

October 2, 2008

Dear Sirs:

Enclosed is a copy of a Proposal to the creditors of FarmPure Seeds Inc. filed October 2, 2008 (hereinafter referred to as the "Proposal") made pursuant to the provisions of Part III of the Bankruptcy and Insolvency Act.

Also included are the following:

- a) Notice to Creditors;
- b) Statement of Affairs;
- c) Listing of Creditors (unsigned copy attached, please note the original signed copy is available upon request);
- d) Proof of Claim Form and Proxy;
- e) Voting letter

A meeting of Creditors to consider the Proposal will be held on 23rd day of October, 2008 at the hour of 10:30am, at the Hilton Garden Inn, 90 22nd Street East, Saskatoon, Sk. Located at the corner of 1st Ave. and 22nd Street, Estevan Room, lower level in Saskatoon, Sk.

Summary

The attached proposal provides for a payment in the amount of \$450,000 under a share purchase agreement with Pickseed Canada Inc. The payment is contingent on the approval of the proposal and represents third party funds that would not be available to creditors in the event FarmPure Seeds Inc. ("Company") is deemed bankrupt.

These funds will provide a payment of approximately 6% on the dollar to unsecured creditors based on the information available at this time. In our view, there would be

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no funds available to unsecured creditors in a bankruptcy and we therefore strongly recommend creditors vote in favour of the proposal.

Please do not hesitate to call us if you wish to discuss this matter prior to the creditor meeting.

BACKGROUND

The core activity of the Company is to acquire specific seed varieties under licence from Seed Development Agencies such as Agriculture and Food Canada, Crop Development Centre University of Saskatchewan, University of North Dakota and University of Manitoba. The mission of the Company is to propagate seed under federal inspection and to distribute seed and collect levies on same. In the past there were approximately 100 employees of the Company but as of this date, there are now only 11 employees based at Nipawin. The present staff performs functions requiring experience and are essential to the success of the business as a going concern. Approximately 200 growers produce certified seed under contract with the Company. The Company continues to have distribution relationships throughout the world.

The Company's recent financial difficulties are apparently the result of, among other things, rapid expansion without adequate market analysis and without the necessary managerial support and expertise to successfully manage a corporation with this diverse and complex an operation. In addition the draft financial statements of the corporation for period ended October 31, 2007 identified the fact that the corporation had provided significant intercompany advances to the parent corporation for investment in affiliated companies, which were in the development stage. As of the last financial statement it was also identified that the corporation needed additional financing or recovery of intercompany loans in order to meet financial obligations.

CONDUCT OF THE DEBTOR

Based on our discussions with the Board of Directors, A.L Management Ltd, the Company's business advisor and legal counsel of the Company it is apparent the board relied on their Chief Financial Officer and other staff to operate an expanding corporation and it appears insufficient controls were in place to recognize financial difficulty in a timely fashion.

SECURED CREDITORS

The former secured creditors, RBC and Farm Credit Corporation entered into a settlement agreement with Pickseed Canada Inc., under which those creditors accepted approximately 15% less than the face value of their indebtedness. The fact that two sophisticated creditors were willing to discount their indebtedness suggests that they believed the assets are worth less than the approximately \$4.1 million that was owed to those two creditors.

The claim of the secured creditor, Pickseed Canada Inc. is dealt with under the proposal and this creditor has committed to fund the proposal and will not file a claim for the unsecured portion of their liability in interest of a larger benefit to the unsecured creditors.

EXCLUDED CREDITORS

The creditors described in the proposal as "Excluded Creditors" represent professional services provided to the Company in relation to efforts to update the records of the corporation and market the corporation to obtain a purchaser that would allow for a sale potentially resulting in a return to creditors and ensure the Nipawin operation would continue as a going concern. An agreement has been reached with Pickseed Canada Inc. to settle the claim of these professionals. As a condition of that agreement they will not participate in the proposal as an unsecured creditor.

ASSET VALUATION

We have reviewed the debtor's affairs to determine what assets would be available to a Trustee in Bankruptcy. Based on our review we feel all the assets are encumbered by the security interest of Pickseed Canada Inc. and upon liquidation the secured creditor would realize a significant deficiency, with the result that there would be no distribution to unsecured creditors.

General Trade Accounts Receivable have been reported based on the estimated collectible amounts, which in turn is based on the analysis provided by A.L. Management as follows:

Good	\$188,019
Doubtful	229,403

Uncollectible 538,865

Auction proceeds of the Laurier site in Manitoba has been confirmed in the amount of \$625,276 net of fees and costs.

The Brandon Manitoba property has been valued based on interest shown by potential purchasers, which include two offers to purchase. Based on the interest shown in the property the value has been reported on the assumption the offers are an achievable sale and valued net of disposition and property tax adjustment costs.

The Nipawin Land, Buildings and Equipment have been valued based on the comparable sale proceeds of the Laurier facility, which was subject to a recent auction. A review of the property appraisal conducted in November 2007 supports the estimation with consideration given to liquidation value of the property under a foreclosure or forced sale.

Intercompany Loans

It is believed the loans to the parent company and other affiliated companies are uncollectible and subject to the security interest of Pickseed Canada Inc. As identified in the auditors report for period ended October 31, 2007 the affiliated companies had not developed sufficient sources of operating cash flow to indicate that they would be in a position to repay the amounts owing to the Company.

CONFLICT OF INTEREST

The Trustee has determined Meyers Norris Penny Limited is not in a conflict of interest as defined by the Bankruptcy and Insolvency Act and the Standards of Professional Conduct of the Canadian Association of Insolvency and Restructuring Professionals.

THE PROPOSAL

This Proposal is filed pursuant to Part III of the Bankruptcy Act, and subject to acceptance by the appropriate percentage of unsecured creditors.

ACCEPTANCE VS. NON-ACCEPTANCE

For the Proposal to be accepted by the creditors a majority of those creditors representing at least 66% of the total dollar value of the proofs of claim filed with the trustee must approve the Proposal. In the event that the Proposal is not accepted, the Company immediately becomes bankrupt.

PROOF OF CLAIM

Unsecured creditors will be required to provide a proof of claim supported by evidence of their debt, which must include a statement of account, copies of invoices and contracts supporting the amount owing by **FarmPure Seeds Inc.** The claim must be filed prior to the time of the Meeting of Creditors to enable the creditor's vote to be considered at the meeting. Creditors may vote at the meeting of creditors either in person, by voting letter (included in this package) or by proxy (included in this package).

A.L. Management has continued in its efforts to update the records of the company since the filing of the Notice of Intention on September 4, 2008. Based on the updated records the trustee has identified additional potential creditors and adjusted the amounts owing to creditors based on the company's records. However, the records of the company are incomplete and it may very well be that there are additional creditors who are not reflected in the attached and/or that amounts shown as owing in the statement of affairs are inaccurate. It will be incumbent upon each creditor to file a claim and support the amounts owing in order to participate in the distribution.

CONCLUSION AND RECOMMENDATION

We feel the proposal is reasonable and in the best interest of the creditors as it provides for a payment of approximately 6% of the unsecured liability based on the assumption the creditors listed will be able to support the liabilities indicated. In comparison the Trustee has determined there would not be a dividend available to unsecured creditors in the event of the bankruptcy of the corporation. The proposal, if accepted, will allow the corporation to be sold as a going concern with the potential to maintain operations in Nipawin as a viable operation which employs eleven (11)

individuals and provides a needed facility to forage growers within the community and the province.

We feel the proposal represents a reasonable balance between the interests of the debtors and their creditors.

Please direct any questions to 306-664-8334.

Yours very truly;

Meyers Norris Penny Limited.

Trustee in re the Proposal of FARMPURE SEEDS INC.



Naida Kornuta CIRP