

THE QUEEN'S BENCH
WINNIPEG CENTRE

THE HONOURABLE MR.)

JUSTICE DEWAR)

) The 12th day of September, 2012

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

AND IN THE MATTER OF A PROPOSED PLAN OF
COMPROMISE OR ARRANGEMENT OF THE
PURATONE CORPORATION, PEMBINA VALLEY
PIGS LTD. and NIVERVILLE SWINE BREEDERS LTD.
(the "Applicants")

Application under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36,
as amended
CERTIFIED COPY
INITIAL ORDER

THIS APPLICATION, made by the Applicants, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") was heard this day at the Law Courts Building, 408 York Avenue at Kennedy Street, in the City of Winnipeg, in the Province of Manitoba.

ON READING the affidavit of Raymond Hildebrand sworn September 11, 2012 ("**Hildebrand Affidavit**") and the Exhibits thereto, the Pre-filing Report of Deloitte & Touche Inc. as the Proposed Monitor and on being advised that the secured creditors who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel for the Applicants, the Proposed Monitor, Bank of Montreal ("**BMO**") and Farm Credit Canada ("**FCC**") (hereinafter collectively referred to as the "**Secured Lenders**"), no one appearing for Manitoba Agricultural Services Corporation although duly served as appears from the affidavit of service of Laura Leigh Buley sworn

September 12, 2012 and on reading the Consent of Deloitte & Touche Inc. to act as the Monitor;

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Application and the supporting materials is hereby abridged so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

2. THIS COURT ORDERS AND DECLARES that the Applicants are companies to which the CCAA applies.

PLAN OF ARRANGEMENT

3. THIS COURT ORDERS that the Applicants, with the written consent of the Monitor (as defined below), and either of the Secured Lenders shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "**Plan**") between, *inter alia*, the Applicants and one or more classes of their secured and/or unsecured creditors as they deem appropriate.

POSSESSION OF PROPERTY AND OPERATIONS

4. THIS COURT ORDERS that the Applicants shall remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"). Subject to further Order of this Court, the Applicants shall continue to carry on business in a manner consistent with the preservation or, as appropriate, reduction of their business (the "**Business**") and Property. The Applicants shall be authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "**Assistants**") currently retained or employed by them, with liberty to retain such further Assistants as they deem reasonably necessary

or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

5. THIS COURT ORDERS that, subject to the terms of the DIP Commitment Letter and the Definitive Documents, both as hereinafter defined, the Applicants shall be entitled to continue to utilize the central cash management system currently in place as described in the Hildebrand Affidavit (hereinafter "**BMO Facility**") or replace it with another substantially similar central cash management system (the "**Cash Management System**") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Applicants of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Applicants, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

6. THIS COURT ORDERS that the Applicants shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:

- (a) all outstanding and future wages, salaries, employee benefits, vacation pay, bonuses and expenses, including payment to independent or dependent contractors whose remuneration is akin to wages, payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements;
- (b) the fees and disbursements of any Assistants retained or employed by the Applicants in respect of these proceedings, at their standard rates and charges; and

- (c) the amounts owing for goods and services actually supplied to the Applicants, or necessary to obtain the release of goods or provision of services contracted for prior to the date of this Order, with the prior consent of the Monitor and Secured Lenders.

7. THIS COURT ORDERS that, except as otherwise provided to the contrary herein, the Applicants shall be entitled but not required to pay all reasonable expenses incurred subject to the terms and availability under the Commitment Letter and the Definitive Documents (each as hereinafter defined) by the Applicants in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and
- (b) payment for goods or services actually supplied to the Applicants following the date of this Order.

8. THIS COURT ORDERS that the Applicants shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;
- (b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the Applicants in connection with the sale of goods and services by the Applicants, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes

were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and

- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicants.

9. THIS COURT ORDERS that The Puratone Corporation ("TPC") shall continue to operate the Niverville Credit Union account no. 100100109348 defined in the Hildebrand Affidavit as the Hog Marketing Account in accordance with the trust obligations imposed upon TPC under the Hog Marketing Program as defined in the Hildebrand Affidavit including payments to beneficiaries accruing both before and after the date of this Order.

10. THIS COURT ORDERS that until a real property lease is disclaimed or resiliated in accordance with the CCAA, the Applicants shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the Applicants and the landlord from time to time ("**Rent**"), for the period commencing from and including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

11. THIS COURT ORDERS that, except as specifically permitted herein, and subject to the terms and availability under the DIP Commitment Letter and the Definitive Documents (each as hereinafter defined) the Applicants are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicants to any of their creditors as of this date;

(b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of their Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

12. THIS COURT ORDERS that the Applicants shall, subject to such requirements as are imposed by the CCAA and such covenants as may be contained in the DIP Commitment Letter or Definitive Documents, have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of their business or operations, divisions or locations as the Applicants deem appropriate and to dispose of redundant or non-material assets not exceeding \$175,000.00 in any one transfer or \$500,000.00 in the aggregate;
- (b) terminate the employment of such of their employees or temporarily lay off such of their employees as they deem appropriate on such terms as may be agreed upon between the applicable employer and such employee or, failing such agreement, to deal with the consequences thereof in accordance with the applicable law;
- (c) in accordance with paragraphs 13 and 14, vacate, abandon or quit any leased premises and/or repudiate any real property lease and/or any ancillary agreements relating to any leased premises, on not less than seven (7) days' notice in writing to the relevant landlord on such terms as may be agreed upon between the relevant Applicants and such landlord or failing such agreement, to deal with the consequences thereof in the plan or otherwise; and
- (d) disclaim or resiliate such of their agreements whether oral or written, in accordance with Section 32 of the CCAA.

all of the foregoing to permit the Applicants to proceed with an orderly restructuring of the Business (the "**Restructuring**").

13. THIS COURT ORDERS that the Applicants shall provide each of the relevant landlords with notice of the Applicants' intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Applicants' entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicants, or by further Order of this Court upon application by the Applicants on at least two (2) days' notice to such landlord and any such secured creditors. If the Applicants disclaim or resiliate the lease governing such leased premises in accordance with Section 32 of the CCAA, they shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer or resiliation of the lease shall be without prejudice to the Applicants' claim to the fixtures in dispute.

14. THIS COURT ORDERS that if a notice of disclaimer or resiliation is delivered, pursuant to Section 32 of the CCAA then (a) during the notice period prior to the effective time of the disclaimer or resiliation, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicants and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer or resiliation, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Applicants in respect of such lease or leased premises and such landlord shall be entitled to notify the Applicants of the basis on which it is taking possession and to gain possession of and re-lease such leased premises to any third party or parties on such terms as such landlord considers advisable, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

KEY EMPLOYEE RETENTION PLAN

15. THIS COURT ORDERS that the Key Employee Retention Plan ("**KERP**") approved by the TPC Board of Directors in the form attached as Exhibit 40 to the Hildebrand Affidavit respecting certain key employees ("**Key Employees**") identified in Exhibit "C" of the Confidential Exhibits to the Hildebrand Affidavit (the "**Confidential Exhibits**") listed therein is hereby approved and the Applicants which are employers of the Key Employees are authorized and directed to make the payments and arrangements contemplated thereunder in accordance with the terms and conditions of the KERP.

16. THIS COURT ORDERS that the Key Employees shall be entitled to the benefit of and are hereby granted a charge (the "**KERP Charge**") on the Property which charge shall not exceed an aggregate amount of \$700,000.00, to secure amounts owing to such key employees under the KERP. The KERP Charge shall have the priority set out in paragraph 45 herein.

SEALING ORDER

17. THIS COURT ORDERS that all of the Confidential Exhibits be sealed, kept confidential and not form a part of the public record, but shall be forwarded electronically to this Court on an encrypted basis limiting access to only the Registrar of this Court and the presiding Judge and shall only be made accessible or form part of the public record upon further Order of the Court.

NO PROCEEDINGS AGAINST THE APPLICANTS OR THE PROPERTY

18. THIS COURT ORDERS that until and including October 12, 2012, or such later date as this Court may order (the "**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of the Applicants or the Monitor, or affecting the Business or the Property, except with the written consent of the Applicants and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicants or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

19. THIS COURT ORDERS that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "Persons" and each being a "Person") against or in respect of the Applicants or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicants and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Applicants to carry on any business which the Applicants are not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

20. THIS COURT ORDERS that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Applicants, except with the written consent of the Applicants and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

21. THIS COURT ORDERS that during the Stay Period, all Persons having oral or written agreements (including, without limitation, Inter-Entity Agreements as defined in the Hildebrand Affidavit) with the Applicants or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all veterinary, animal husbandry, feed, genetics and environmental services, manure management, removal, pumping and spreading (including manure purchasing), lagoon cleaning, computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business or the Applicants, are hereby restrained until further Order of this Court from discontinuing,

altering, interfering with or terminating the supply of such goods or services as may be required by the Applicants, and that the Applicants shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Applicants in accordance with normal payment practices of the Applicants or such other practices as may be agreed upon by the supplier or service provider and each of the Applicants and the Monitor, or as may be ordered by this Court.

CRITICAL SUPPLIERS

22. THIS COURT ORDERS AND DECLARES that each of the entities listed in Schedule I hereto is a Critical Supplier to the Applicants as contemplated by Section 11.4 of the CCAA (each a "**Critical Supplier**").

23. THIS COURT ORDERS that each Critical Supplier continue to supply the Applicants with goods and/or services on terms and conditions that are consistent with existing arrangements and past practices. No Critical Supplier may require the payment of a deposit or the posting of any security in accordance with the supply of goods and/or services to the Applicants after the date of this Order.

24. THIS COURT ORDERS that the Critical Suppliers shall be entitled to the benefit of and is hereby granted a charge (the "**Critical Suppliers' Charge**") on the property of the Applicants in an amount equal to the value of the goods and services supplied by such Critical Suppliers and received by the Applicants after the date of this Order, less all amounts paid to such Critical Suppliers in respect of such goods and services, in an amount not to exceed \$400,000.00 unless permitted by further Order of this Court. The Critical Suppliers' Charge shall have the priorities set out in paragraph 45 herein.

NON-DEROGATION OF RIGHTS

25. THIS COURT ORDERS that, subject to paragraph 23 above, no Person shall be prohibited from requiring immediate payment for goods, services, use of leased or licensed property or other valuable consideration provided on or after the date of this

Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Applicants. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

26. THIS COURT ORDERS that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicants with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicants whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicants, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicants or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

27. THIS COURT ORDERS that the Applicants shall indemnify their directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicants after the commencement of the within proceedings, in relation to the period commencing with the granting of this Order, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

28. THIS COURT ORDERS that the directors and officers of the Applicants shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the Property, which charge shall not exceed an aggregate amount of \$1,000,000.00, as security for the indemnity provided in paragraph 27 of this Order. The Directors' Charge shall have the priority set out in paragraph 45 herein.

29. THIS COURT ORDERS that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or

claim the benefit of the Directors' Charge, and (b) the Applicants' directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 25 of this Order.

APPOINTMENT OF MONITOR

30. THIS COURT ORDERS that Deloitte & Touche Inc. is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicants with the powers and obligations set out in the CCAA or set forth herein and that the Applicants and their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicants pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

31. THIS COURT ORDERS that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Applicants' receipts and disbursements;
- (b) immediately develop, in consideration with the Applicants' management, and exercise exclusive authority (in the name of and on behalf of the Applicants) over, a short-term strategy and process to attempt to sell all or parts of the Business and the Property in conjunction with ceasing or reducing operations as may be appropriate (the "**Sale Process**"), and to take such steps and to execute such documentation in the name of and on behalf of the Applicants as may be necessary or incidental to the Sale Process;
- (c) have and exercise exclusive authority (in the name of and on behalf of the Applicants) to negotiate with potential purchasers pursuant to the Sale Process;

- (d) have and exercise exclusive authority (in the name of and on behalf of the Applicants) to accept one or more offers to purchase the Property pursuant to the Sale Process (subject to approval of the Court);
- (e) review and consider, with the Applicants, staffing requirements and arrangements necessary for the purposes of the Business and the Sale Process, including in relation to any reductions in the activities, operations or functions of the Business and in relation to ensuring the staffing of critical functions for the protection and proper care and management of the Applicants' hogs, environmental compliance and other critical functions, and, if necessary, make recommendations to the Court regarding termination, hiring and/or replacement of employees and personnel employed by one or more of the Applicants;
- (f) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, the Sale Process, and such other matters as may be relevant to the proceedings herein;
- (g) assist the Applicants, to the extent required by the Applicants, in their dissemination, to the DIP Lender and its counsel on the basis specified in the DIP Commitment Letter or Definitive Documents, financial and other information as agreed to between the Applicants and the DIP Lender which may be used in these proceedings including reporting on a basis to be agreed with the DIP Lender;
- (h) advise and assist the Applicants in their preparation of the Applicants' cash flow projections and statements and reporting required by the DIP Lender, which information shall be reviewed with the Monitor and delivered to the DIP Lender and its counsel on a periodic basis, or as otherwise agreed to by the DIP Lender;

- (i) advise and assist the Applicants in their development of the Plan, or a wind-down plan, as the case may be;
- (j) assist the Applicants, to the extent required by such Applicants, with the holding and administering of creditors' or shareholders' meetings for consideration of and voting on the Plan;
- (k) have full and complete access to the Property, including the Business premises, books, records, data, including data in electronic form, and other financial documents of the Applicants, to the extent that is necessary to adequately assess the Applicants' business and financial affairs or to perform its duties arising under this Order;
- (l) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order;
- (m) subject to paragraph 31(b) of this Order, assist any of the Applicants, to the extent required by such Applicants, with the restructuring, the efforts to sell, convey, transfer, assign, lease or in any manner dispose of the Property or any part or parts thereof, and in their negotiations with their creditors and other interested persons and with the holding and administration of any meeting held to consider a vote upon the Plan;
- (n) monitor the Applicants' management of livestock health, environmental and related regulatory compliance obligations; and
- (o) perform such other duties as required by this Order or by this Court from time to time.

32. THIS COURT ORDERS that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be

deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

33. THIS COURT ORDERS that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property in whole or in part that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, *The Environment Act 1999* (Manitoba), *The Water Resources Conservation Act* (Manitoba), *The Contaminated Sites Remediation Act* (Manitoba), *The Dangerous Goods Handling and Transportation Act* (Manitoba), *The Public Health Act* (Manitoba) or *The Work Place Safety and Health Act* (Manitoba) and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in Possession.

34. THIS COURT ORDERS that that the Monitor shall provide any creditor of the Applicants and the DIP Lender with information provided by the Applicants in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicants is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicants may agree.

35. THIS COURT ORDERS that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

36. THIS COURT ORDERS that the Monitor, counsel to the Monitor and counsel to the Applicants shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Applicants as part of the costs of these proceedings. The Applicants are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicants on a weekly or bi-weekly basis and, in addition, the Applicants are hereby authorized to pay to the Monitor and counsel to the Applicants, retainers in the amounts of \$20,000.00 and \$25,000.00 respectively to be held by them as security for payment of their respective fees and disbursements outstanding from time to time

37. THIS COURT ORDERS that at the request of the Applicants, or any party of interest or this Court, the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of this Court, but nothing herein shall fetter this Court's discretion to refer such matters to a Master of this Honourable Court.

38. THIS COURT ORDERS that the Monitor, counsel to the Monitor, if any, the Financial Advisor and the Applicants' counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of \$500,000.00, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraph 45 herein.

DIP FINANCING

39. THIS COURT ORDERS that the Applicants are hereby authorized and empowered to obtain and borrow under a credit facility (the "**DIP Loan**") from BMO (the "**DIP Lender**") in order to finance the Applicants' working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility (the "**DIP Loan**") shall not exceed \$6,000,000.00 unless permitted by further Order of this Court.

40. THIS COURT ORDERS THAT such credit facility shall be on the terms and subject to the conditions set forth in the Term Letter between the Applicants and the DIP Lender dated as of September 11, 2012 attached as Exhibit "38" to the Hildebrand Affidavit (the "**DIP Commitment Letter**") and Exhibit "D" of the Confidential Exhibits.

41. THIS COURT ORDERS that the Applicants are hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the "**Definitive Documents**"), as are contemplated by the DIP Commitment Letter or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Applicants are hereby authorized and directed to pay and perform all of their indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the DIP Commitment Letter and the Definitive Documents for the benefit of the DIP Lender as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

42. THIS COURT ORDERS that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "**DIP Lender's Charge**") on the Property, which DIP Lender's Charge shall not secure an obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraph 45 herein.

43. THIS COURT ORDERS that, notwithstanding any other provision of this Order:

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender's Charge, the DIP Lender, upon seven (7) days' notice to the Applicants and the Monitor, may exercise any and all of its rights and remedies against the Applicants or the Property under or pursuant to the DIP Commitment Letter, Definitive Documents and the DIP Lender's Charge, including without limitation, to cease making advances to the Applicants and set off and/or consolidate any amounts owing by the DIP Lender to the Applicants against the obligations of the Applicants to the DIP Lender under the DIP Commitment Letter, the Definitive Documents or the DIP Lender's Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicants and for the appointment of a trustee in bankruptcy of the Applicants provided that in the reasonable opinion of the DIP Lender and the Monitor, such event of default puts the health and/or safety of the Applicants' livestock at immediate risk, then with the written approval of the Monitor having been obtained the DIP Lender may immediately take such steps as are reasonably necessary to protect and preserve the livestock; and
- (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicants or the Property.

44. THIS COURT ORDERS AND DECLARES that the claims of the DIP Lender in relation to the DIP Loan are not claims to be compromised pursuant to the Plan, and shall be treated as unaffected in any Plan of arrangement or compromise filed by the Applicants under the CCAA, or any proposal filed by the Applicants under the *Bankruptcy and Insolvency Act* of Canada (the "BIA"), and no such Plan, proposal or

restructuring shall be approved that does not provide for payment of all amounts due to the DIP Lender pursuant to the terms of the DIP Commitment Letter and the Definitive Documents.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

45. THIS COURT ORDERS that the priorities of the Administration Charge, DIP Lender's Charge, Critical Suppliers' Charge, Directors' Charge and KERP Charge as among them, shall be as follows:

First – Administration Charge (to the maximum amount of \$500,000.00);

Second – DIP Lender's Charge; (to the maximum amount of \$6,000,000.00)

Third – Critical Suppliers' Charge (to a maximum of \$400,000.00)

Fourth – Directors' Charge (to the maximum amount of \$1,000,000.00).

Fifth – KERP Charge (to the maximum amount of \$700,000.00)

46. THIS COURT ORDERS that the filing, registration or perfection of the Administration Charge, DIP Lender's Charge, Critical Suppliers' Charge, Directors' Charge and KERP Charge (collectively, the "**Charges**") shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

47. THIS COURT ORDERS that the Charges, shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any Person, notwithstanding the Order of perfection or attachment, except for:

- (a) any validly perfected Purchase Money Security Interest in favour of a secured creditor save and except the Secured Lenders;
- (b) any statutory Encumbrance existing on the date of this Order in favour of any Person who was a "secured creditor", as defined in the CCAA, in respect of any amounts under *The Wage Earner's Protection Program* that are subject to a super priority claim under the BIA, including source deductions from wages, employer health tax, worker's compensation, vacation pay and banked overtime for employees; and
- (c) any secured creditor claiming priority to the Secured Lenders who was not served with notice of the hearing of this Application;

The Applicants and/or either of the Secured Lenders may bring a motion with notice to some or all other such secured creditors ("**PMSI Creditors**") having first-ranking security interests in specific assets ("**PMSI Assets**") of the Applicants for an Order (a "**PMSI Charge Order**") extending the priority of the Charges to the security interests of some of all PMSI Creditors in the PMSI Assets.

48. THIS COURT ORDERS that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicants shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges, unless the Applicants also obtain the prior written consent of the Monitor, the DIP Lender and the Chargees (as hereinafter defined) or further Order of this Court.

49. THIS COURT ORDERS that the Charges shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "**Chargees**") and/or the DIP Lender thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made

pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "Agreement") which binds the Applicants, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the DIP Commitment Letter or the Definitive Documents shall create or be deemed to constitute a breach by the Applicants of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Applicants entering into the DIP Commitment Letter, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and
- (c) the payments made by the Applicants pursuant to this Order, the DIP Commitment Letter or the Definitive Documents, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

50. THIS COURT ORDERS that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Applicants' interest in such real property leases.

51. THIS COURT ORDERS that if the Chargees sharing a Charge have claims that, in the aggregate, exceed the maximum authorized amount of the Charge, such Chargees shall share in the benefit of the Charge (as between themselves) on a *pari passu* basis to the maximum aggregate authorized amount of the Charge.

ALLOCATION

52. THIS COURT ORDERS that the Charges shall be allocated as follows: 80% of the charges shall be allocated to the current assets which are secured firstly to BMO ("BMO" First-secured Assets") and 20% of the charges shall be allocated to the capital assets which are secured firstly to FCC ("FCC First-secured Assets"); provided that in the event of that a PMSI Charge Order is made, and an allocation of the Charges is then or thereafter made in respect of the PMSI Assets, the balance of the allocation of the Charge, after the allocation to the PMSI Assets, shall be borne 80% to the BMO First-secured Assets and 20% to the FCC First-secured Assets.

SERVICE AND NOTICE

53. THIS COURT ORDERS that the Monitor shall (i) without delay, publish in the Winnipeg Free Press and the Globe & Mail a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, or cause to be sent, in the prescribed manner, and in the form attached as Schedule "2", a notice to every known creditor who has a claim against the Applicants of more than \$1000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder. The Notice in the form of Schedule 2 shall also be sent to any person participating in the Hog Marketing Program as defined in the Hildebrand Affidavit.

54. THIS COURT ORDERS that the Applicants and the Monitor be at liberty to serve this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic transmission to the Applicants' creditors or other interested parties at their respective addresses as last shown on the records of the Applicants and that any such service or notice by courier, personal delivery or electronic transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

Interested persons who do not send a request, in writing, to counsel for the Applicants to be added to the service list (hereinafter defined) shall not be required to be served further in these proceedings.

55. THIS COURT ORDERS that counsel for the Applicants shall prepare and keep a current list ("**Service List**") containing the name and contact information (which may include the address, telephone number and facsimile number or e-mail address) for service to: the Applicants; the Monitor; and each creditor or other interested party who has sent a request, in writing, to counsel for the Applicants to be added to the Service List. The Service List shall indicate whether each person on the Service List has elected to be served by e-mail or facsimile, and failing such election the Service List shall indicate service by e-mail. The Service List shall be posted on the website of the Monitor at the address indicated in paragraph 56 herein. **For greater certainty, creditors and other interested persons who have received notices in accordance with paragraph 53 of this Order and/or have been served in accordance with paragraph 54 of this Order and who do not send a request, in writing, to counsel for the Applicants to be added to the Service Ltd. shall not be required to be further served in these proceedings.**

56. THIS COURT ORDERS that the Applicants, the Monitor, and all parties on the Service List may serve any court materials in these proceedings by e-mailing a PDF or other electronic copy of such materials to counsels' email addresses as recorded on the Service List from time to time, and the Monitor may post a copy of any or all such materials on its website at www.deloittes.com/ca/puratone.

HILLRP – FARM DEBT MEDIATION

57. THIS COURT ORDERS that nothing in a Plan may compromise the outstanding principal balance, accrued interest and eligible expenses (hereinafter the "**HILLRP Loan Balances**") relating to any eligible loan made by BMO or FCC to any of the applicants in relation to which BMO or FCC may, pursuant to the terms of Contribution Agreements made between Her Majesty the Queen' in Right of Canada as represented by the Minister of Agriculture and Agri-Food and BMO and FCC respectively, be entitled to withdraw

funds from loan loss reserves established pursuant to the Hog Industry Loan Loss Reserve Program to reduce losses from such eligible loans, and BMO and FCC shall be unaffected creditors with respect to such HILLRP loan balances in any Plan.

58. THIS COURT ORDERS that the Applicants shall not, without leave of this Court on notice to the persons affected, apply for relief under the *Farm Debt Mediation Act (Canada)*.

GENERAL

59. THIS COURT ORDERS that the Applicants or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

60. THIS COURT ORDERS that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicants, the Business or the Property.

61. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Applicants, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

62. THIS COURT ORDERS that each of the Applicants and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

63. THIS COURT ORDERS that any interested party (including the Applicants and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

64. THIS COURT ORDERS that this Order and all of its provisions are effective as of 12:01 a.m. Central Daylight Time on the date of this Order.

R.A. Dewar J.

Digitally signed by R.A. Dewar J.
DN: c=ca, o=ldrc, cn=R.A. Dewar J.
Date: 2012.09.12 15:43:16 -05'00'

CERTIFIED A TRUE COPY

DEPUTY REGISTRAR

SCHEDULE 1

Horizon Livestock and Poultry Products Ltd.

JVCO Transportation Ltd.

Pura Organics Limited Partnership



SCHEDULE 2

Deloitte & Touche Inc.
360 Main Street
Suite 2300
Winnipeg MB R3C 3Z3
Canada

Tel: 204-942-0051
Fax: 204-947-2689
www.deloitte.ca

September 13, 2012

NOTICE TO CREDITORS OF:

THE PURATONE CORPORATION, NIVERVILLE SWINE BREEDERS LTD. and PEMBINA VALLEY PIGS LTD. (collectively, "PURATONE" or the "COMPANIES")

Please be advised that on September 12, 2012 the Manitoba Court of Queen's Bench (the "Court") granted an order ("Initial Order") in which the Companies were granted protection from their respective creditors and a stay of proceedings pursuant to the *Companies' Creditors Arrangements Act* ("CCAA"). Pursuant to the Initial Order, Deloitte & Touche Inc. was appointed monitor (the "Monitor") of the Companies.

The Initial Order provides for, among other things, a stay of proceedings until October 12, 2012 (the "Stay Period"). Under the CCAA, the Stay Period may be extended on such terms and with such modifications as the Court considers appropriate. Puratone will continue to operate in the ordinary course pursuant to the provisions of the Order.

A further hearing has been scheduled before the Court for 8:30 a.m. Wednesday, October 10, 2012 to determine if the stay granted under the Initial Order should be extended and other relief.

Pursuant to the Order, all persons having oral or written agreements with the Companies or statutory or regulatory mandates for the supply of goods and/or services are restrained until further Order of the Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Companies, provided that the normal prices or charges for all such goods or services received after the date of the Order are paid by the Companies in accordance with normal payment practices of the Companies or such other practices as may be agreed upon by the supplier or service provider and each of the Companies and the Monitor, or as may be ordered by the Court.

During the Stay Period, all parties are prohibited from commencing or continuing any legal action against the Companies and all rights and remedies of any party against or in respect of the Companies or their assets are stayed and suspended except with the written consent of the Companies and the Monitor, or leave of the Court.

To date, no claims procedure has been approved by the Court and the creditors are therefore not required to file a proof of claim at this time. If Puratone files a plan of compromise or arrangement, the Monitor will invite creditors to submit their proofs of claim against the Companies at that time.

The Initial Order and other information in respect to the CCAA proceedings are available on the Monitor's website at www.deloitte.com/ca/puratone. Should you require further information, please contact Mr. Brent Warga at 204-944-3611.

If you would like to receive notice of all further proceedings in relation to this matter, please forward a written request to:

**THE PURATONE CORPORATION, NIVERVILLE SWINE BREEDERS LTD. and
PEMBINA VALLEY PIGS LTD.**

c/o Taylor McCaffrey LLP
9th Floor – 400 St. Mary Avenue
Winnipeg, MB
R3C 4K5

Attention: David Jackson
Telephone No.: (204) 988-0375
Fax No.: (204) 953-7178
Email: djackson@tmlawyers.com

If you fail to forward a written request to the above-referenced person indicating that you request further notice of the proceedings, then you will not receive, nor will you be entitled to receive, any further notice of the proceedings.

Yours Truly,

DELOITTE & TOUCHE INC.,
in its capacity as CCAA Monitor
of The Puratone Corporation, Niverville Swine
Breeders Ltd. and Pembina Valley Pigs Ltd.
and not in its personal capacity.

Per: S. P. Peleck
Senior Vice-President