

THE QUEEN'S BENCH
WINNIPEG CENTRE

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

SECOND REPORT OF THE MONITOR

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**THE QUEEN'S BENCH
WINNIPEG CENTRE**

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

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF THE PURATONE CORPORATION, NIVERVILLE SWINE
BREEDERS LTD., AND PEMBINA VALLEY PIGS LTD.**

APPLICANTS

**SECOND REPORT OF THE MONITOR
DATED OCTOBER 25, 2012**

INTRODUCTION

1. On September 12, 2012, The Puratone Corporation (“**TPC**”), Niverville Swine Breeders Ltd., and Pembina Valley Pigs Ltd. (collectively the “**Applicants**”) filed for and obtained protection under the *Companies' Creditors Arrangement Act* (the “**CCAA**”). Pursuant to the Order of the Manitoba Court of Queen's Bench (the “**Court**”) dated September 12, 2012 (the “**Initial Order**”), Deloitte & Touche Inc. (“**Deloitte**”) was appointed as the Monitor of the Applicants (the “**Monitor**”) in the CCAA proceedings and a stay of proceedings was granted in favour of the Applicants.
2. On October 10, 2012, the Court extended the stay of proceedings until November 2, 2012 (the “**Stay Period**”).
3. The Monitor has provided the Court with the following reports:
 - i. A Pre-Filing Report of the Proposed Monitor dated September 11, 2012 (the

“**Pre-Filing Report**”) in connection with the Applicants’ application for protection under the CCAA; and

- ii. A First Report of the Monitor dated October 5, 2012 (the “**First Report**”) in connection with the Applicants’ motion to extend the Stay Period.
4. Copies of the Initial Order, the Pre-Filing Report, the First Report, all motion materials and orders in the CCAA proceedings, and certain other documents related to the CCAA proceedings have been posted and are available on the Monitor’s website at www.deloitte.com/ca/puratone. It has been drawn to our attention that the website address set forth in paragraph 56 of the Initial Order (www.deloittes.com/ca/puratone) contains an error (“deloittes” rather than “deloitte”). The correct address was included in Schedule 2 to the Initial Order (the form letter that was sent to all creditors giving notice of the CCAA proceedings). The Monitor requests that an Order *nunc pro tunc* be made correcting paragraph 56 of the Initial Order.

PURPOSE

5. The purpose of this second report of the Monitor (the “**Second Report**”) is to provide information with respect to the following:
- i. A summary of the Monitor’s activities since the First Report;
 - ii. The status of the operations of the Applicants since the First Report;
 - iii. An update of the Applicants’ cash flow forecast and comments on variances between actual results compared to forecast for the period ended October 19, 2012;
 - iv. The ongoing Sales Process being administered by the Monitor during the CCAA proceedings; and
 - v. The Applicants’ request for an extension of the stay period.

TERMS OF REFERENCE

6. In preparing this Second Report, the Monitor has relied upon unaudited interim financial information, the Applicants’ books and records, the Affidavits of Raymond Hildebrand

sworn September 11, October 4 and October 24, 2012, and discussions with management (“**Management**”) and the Applicants’ financial and legal advisors.

7. The financial information of the Applicants has not been audited, reviewed or otherwise verified by the Monitor as to its accuracy or completeness, nor has it necessarily been prepared in accordance with generally accepted accounting principles and the reader is cautioned that this Second Report may not disclose all significant matters about the Applicants. Additionally, none of the Monitor’s procedures were intended to disclose defalcations or other irregularities. If the Monitor were to perform additional procedures or to undertake an audit examination of the financial statements in accordance with generally accepted auditing standards, additional matters may have come to the Monitor’s attention. Accordingly, the Monitor does not express an opinion nor does it provide any other form of assurance on the financial or other information presented herein. The Monitor may refine or alter its observations as further information is obtained or brought to its attention after the date of this Second Report.
8. The financial projections attached to this Second Report were prepared by Management (except where noted). Although the Monitor has reviewed the assumptions underlying the projections for reasonableness, financial projections, by their nature, are dependent upon future events, which are not susceptible to verification. Actual results will vary from the information presented and the variations may be material. The Monitor has not prepared a compilation as contemplated by Section 4250 of the Canadian Institute of Chartered Accountants Handbook.
9. The Monitor assumes no responsibility or liability for any loss or damage occasioned by any party as a result of the circulation, publication, reproduction or use of this Second Report. Any use which any party makes of this Second Report, or any reliance or decision to be made based on this Second Report, is the sole responsibility of such party.
10. Unless otherwise stated, all monetary amounts contained in this Second Report are expressed in Canadian dollars.

11. Capitalized terms used in this Second Report but not defined herein are as defined in the Pre-Filing Report and the First Report.

ACTIVITIES OF THE MONITOR

12. Since the making of the Initial Order, the Monitor has engaged in the following activities, among others:
 - i. Continued to carry out all of the various notice requirements of the Initial Order, as detailed in the First Report;
 - ii. Monitored on a weekly basis the receipts and disbursements of the Applicants and provided updated cash flow statements and cash flow variation analysis, as appended to the First and Second Reports, to both BMO and FCC pursuant to the terms of the DIP Term Sheet;
 - iii. Attended to ongoing enquiries from creditors and customers of the Applicants;
 - iv. Participated in hearings regarding, and reported to Court with respect to, the Applicants' request to extend the initial Stay Period;
 - v. Administered and oversaw the ongoing Sales Process; and
 - vi. Corresponded with prospective purchasers during the Sales Process.

OPERATIONS OF THE APPLICANTS SINCE THE FIRST REPORT

13. The Applicants continue to pay employees and remit statutory deductions in the normal course of business, as authorized by the Initial Order.
14. Highlights of the Applicants' financial performance for the period from October 1, 2012 to October 21, 2012 are presented in the Cash Flow Variance Analysis attached as Exhibit A. The Monitor's comments on the financial performance of the Applicants during this period are as follows:
 - i. Compared with the Revised Cash Flow Statement provided as Exhibit F to the First Report, the Applicants experienced a minor unfavorable variance of

approximately \$(0.01) million in respect of net cash outflows.

- ii. This variance is primarily attributable to the following:
 1. \$0.24 million favorable variance compared to forecast with respect to cash receipts from (i) sales primarily related to more favorable market hog prices and an increase in quantities of market hogs shipped (\$0.21 million); and (ii) collection of GST refunds, rental fees, and a provincial research grant (\$0.03 million).
 2. \$(0.25) million unfavorable variance compared to forecast with respect to cash disbursements primarily attributable to (i) suppliers continuing to demand cash on delivery payments for feed ingredients (\$0.2 million); (ii) variances from budget in terms of the timing of property tax payments and certain vendor payments (\$0.2 million); offset by continued operating cost savings as supplies on hand continue to be used while new product purchases are deferred (\$0.15 million).
15. As of the date of this Second Report, the Applicants have been able to manage their cash flow through utilization of the authorized DIP facility as outlined in the Initial Order. As the Applicants are forecasting to have adequate availability within the existing DIP facility, they do not need additional financing as detailed in the Revised Cash Flow Statement attached hereto as Exhibit B (the “**Revised Cash Flows**”) for the period ending November 18, 2012.
16. The Revised Cash Flows adopt the assumptions as set out in the Notes and Summary of Assumptions (“**Notes and Assumptions**”) set out in Notes 1 to 16 of the Revised Cash Flows.
17. The Monitor’s comments on the Revised Cash Flows to November 18, 2012 are as follows:
- i. The Revised Cash Flows estimates that for the period October 22, 2012 to November 18, 2012, the Applicants will have gross receipts of approximately \$6.3 million and disbursements of approximately \$8.8 million, representing a net operating cash outflow of \$2.5 million.

- ii. The \$6.0 million DIP facility granted in the Initial Order is projected to be fully utilized during the week commencing November 19, 2012.
- iii. The Monitor's review of the Revised Cash Flows consisted of inquiries, analytical procedures and discussions related to information supplied to the Monitor by certain of the Management and employees of the Applicants. Since the Notes and Assumptions need not be supported, the Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Revised Cash Flows. The Monitor has also reviewed the support provided by Management for the Notes and Assumptions, and the preparation and presentation of the Revised Cash Flows.
- iv. Based on the Monitor's review, nothing has come to our attention that causes us to believe that, in all material respects:
 - a) The Notes and Assumptions are not consistent with the purpose of the Revised Cash Flows;
 - b) As at the date of this Second Report, the Notes and Assumptions developed by Management are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Revised Cash Flows, given the Notes and Assumptions; or
 - c) The Revised Cash Flows do not reflect the Notes and Assumptions.

18. Since the Revised Cash Flows are based on assumptions regarding future events, actual results will vary from the information presented even if the Notes and Assumptions occur, and the variations may be material. Accordingly, the Monitor expresses no assurance as to whether the Revised Cash Flows will be achieved. The Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this Second Report, or relied upon by the Monitor in preparing this Second Report.

RESTRUCTURING EFFORTS AND SALES PROCESS

19. As detailed in the First Report, since the date of the Initial Order the Monitor has continued with the Sales Process commenced by EYI prior to the CCAA proceedings. By the close of the initial offering submission deadline on September 27, 2012, two (2) expressions of interest were received by the Monitor for all or substantially all of the assets of the Applicants.
20. Based on the format and content of the submissions received, it was challenging, if not impossible, to equitably assess the expressions of interest on a consistent basis. As such, certain standardized offering schedules were prepared and a revised sales process and time line were developed by the Monitor. On October 2, 2012, the Notice of Intended Process was sent to the two (2) parties that had expressed interest to the Monitor, as well as to another party that had previously made an offer for substantially all of the assets pursuant to the SISP undertaken by EYI. Attached as Exhibit C is the template Notice of Intended Process that was distributed.
21. On October 4, 2012 the Monitor was contacted by a fourth party expressing interest in the Applicants' assets and the Sales Process. A confidentiality agreement was executed by that party on October 8, 2012 and certain information was provided immediately thereafter, including the Notice of Intended Process.
22. During the period of October 2, 2012 to October 15, 2012, the Monitor and the Applicants made themselves available to answer any queries with respect to the Applicants' operations, assets, and the Sales Process.
23. On October 11, 2012, the Monitor contacted all four (4) interested parties by telephone to provide a further opportunity for any participant to become clear on the Sales Process, or to ask any questions with respect to the Applicants' operations.
24. On October 15, 2012 the Monitor was in receipt of three (3) submissions expressing interest in substantially all of the assets of the Applicants. The Monitor reviewed the submissions which were substantially in the form requested by the Monitor. This enabled the submissions to be compared objectively by the Monitor, the Applicants, BMO, FCC and

counsel for those parties. All parties were in agreement that one (1) submission was superior to the others.

25. On October 16, 2012, the Monitor contacted the two (2) unsuccessful parties and advised that their respective submissions were being rejected. The successful party was contacted and advised that its submission was to be considered at a meeting of the board of directors of TPC. That meeting was held on October 17, 2012 and the submission was approved. Immediately thereafter, it was executed by TPC on behalf of the Applicants and provided to the successful party.
26. During the period of October 17, 2012 to October 25, 2012, the Applicants, the Monitor, counsel, and the prospective purchaser (the “**Successful Bidder**”) diligently worked on completing an Asset Purchase Agreement (the “**Asset Purchase Agreement**”). Also, during this time, the Successful Bidder continued to conduct its due diligence with respect to the operations and assets of the Applicants.

REQUEST FOR EXTENSION OF THESE PROCEEDINGS AND RECOMMENDATIONS

27. Pursuant to the Order made herein on October 10, 2012, the current Stay Period expires on November 2, 2012. In order to facilitate restructuring efforts and complete a sale transaction in accordance with the Sales Process, the Applicants are requesting an extension of the stay of proceedings to November 12, 2012. Management and the Applicants’ counsel have advised that this extension period will provide time to complete the due diligence phase of the Sales Process and execute the Asset Purchase Agreement.
28. As detailed in the First Report, the Monitor continues to be aware of its duty under Section 23(1)(h) of the CCAA which states that, if the Monitor is of the opinion that it would be more beneficial to the Applicants’ creditors if proceedings in respect of the Applicants were taken under the *Bankruptcy and Insolvency Act* (“**BIA**”), it shall so advise the Court without delay after coming to that opinion. The Monitor has not formed that opinion.
29. The Monitor is of the view that continuing the Applicants’ restructuring under the CCAA proceedings will preserve the business as a going concern and will allow time for the

completion of the Sales Process, which will likely result in the sale of substantially all of the assets of the Applicants as a going concern. This result would provide the most beneficial outcome for many of the stakeholders. Receivership at this time would be very disruptive and costly and, in the view of the Monitor, would be counterproductive to the interests of the various stakeholders.

30. The Applicants are working diligently to manage their financial and operational restructuring while assisting with the Sales Process. In accordance with the Revised Cash Flows, the Applicants are forecasting to be able to operate within the Court ordered DIP facility during the requested extension period.
31. Both BMO and FCC are in support of the requested extension of the stay period.
32. The Monitor is of the view that the Applicants have acted, and are acting, in good faith and with due diligence. Accordingly, the Monitor respectfully recommends that this Court approve an extension of the stay of proceedings to November 12, 2012.
33. The Monitor respectfully requests that the Court approve the Pre-filing Report of the Proposed Monitor and the First Report and the conduct and activities of the Monitor described therein.

All of which is respectfully submitted at Winnipeg, Manitoba, this 25th day of October, 2012.

DELOITTE & TOUCHE INC.

In its capacity as Proposed Monitor of
The Puratone Corporation, Niverville Swine
Breeders Ltd., and Pembina Valley Pigs Ltd.,
and not in its personal capacity.



Per: Steven Peleck, CA•CIRP
Senior Vice-President

Exhibit A – Budget vs. Actual Cash Flows for the Period October 1, 2012 to October 21, 2012

The Puratone Corporation
Actual Cash Flow vs. Budget (ver Oct. 2 as filed with Court Oct. 10th)
October 1st - October 21st

	Budgeted		(over) under
	<u>Oct. 1 - 21</u>	<u>Actual</u>	<u>Variance</u>
Hog Revenue	\$ 3,501,946	\$ 3,708,899	\$ (206,953)
ISO, Gilt & Feeders	120,600	121,899	(1,299)
Feed Revenue	931,250	904,575	26,675
Payroll Recovery	149,200	117,739	31,461
Other Deposits	-	91,826	(91,826)
	<u>4,702,996</u>	<u>4,944,938</u>	<u>(241,942)</u>
Ingredients	3,940,200	4,117,146	(176,946)
Production input costs	630,000	476,808	153,192
Operating expenses	334,714	557,437	(222,723)
Payroll	616,800	626,176	(9,376)
Other		7,770	(7,770)
Prof. Fees	150,000	138,321	11,679
	<u>5,671,714</u>	<u>5,923,658</u>	<u>(251,944)</u>
	<u>\$ (968,718)</u>	<u>\$ (978,720)</u>	<u>\$ (10,002)</u>

Bank Balance, Sept. 30, 2012	<u>\$ (2,055,553)</u>
Closing Balance, Oct. 21, 2012	<u>(3,034,273)</u>
Authorized DIP Line	6,000,000
Bulge	<u>(398,055)</u>
Adjusted DIP Facility	5,601,945
Closing bank balances, October 21, 2012	<u>(3,034,273)</u>
Available DIP Facility before outstanding cheques	2,567,672
Less outstanding cheques	<u>(213,802)</u>
Available DIP facility	<u>\$ 2,353,870</u>

Exhibit B – Revised Cash Flow Statement

The Puratone Corporation
13 Week Cash Flow Projection
October 22 2012 through January 20, 2013

Week Start		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	Week 1 - 13 Cumulative Totals
Week End	Notes	22-Oct-12	29-Oct-12	5-Nov-12	12-Nov-12	19-Nov-12	26-Nov-12	3-Dec-12	10-Dec-12	17-Dec-12	24-Dec-12	31-Dec-12	7-Jan-13	14-Jan-13	20-Jan-13
Assumptions															
<i>Market Hogs - Hedged</i>															
Shipment Volume	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Price (CAD)	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Market Hogs - Non-hedged</i>															
Shipment Volume	2	8,125	5,503	4,812	4,071	5,471	7,413	7,934	7,226	7,970	9,072	8,565	7,924	9,114	93,200
Price (CAD)	3	169.39	167.14	163.90	160.32	156.60	152.48	155.75	153.82	148.63	150.09	150.74	151.50	154.00	
<i>Feeders</i>															
Shipment Volume	4	1,000	-	-	6,000	6,000	600	-	-	-	-	-	-	-	13,600
Price	4	37	37	37	60	60	37	37	37	37	37	37	37	37	
<i>Iso-weanlings</i>															
Shipment Volume	5	-	1,500	-	1,500	-	1,500	-	1,500	-	1,500	-	1,500	-	9,000
Price (USD)	6	33.00	33.00	33.00	33.00	33.00	33.00	33.00	33.00	33.00	33.00	33.00	33.00	33.00	
<i>Exchange Rate</i>															
Estimated rate	7	0.99	0.99	0.99	0.99	0.99	0.99	0.99	0.99	0.99	0.99	0.99	0.99	0.99	0.99
Receipts															
<i>Sales</i>															
Market hogs - Hedged	8	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Market hogs - Non-hedged	8	1,377,000	1,376,000	920,000	789,000	653,000	857,000	1,130,000	1,236,000	1,111,000	1,185,000	1,362,000	1,291,000	1,200,000	14,487,000
10% reduction in pricing factor		(137,700)	(137,600)	(92,000)	(78,900)	(65,300)	(85,700)	(113,000)	(123,600)	(111,100)	(118,500)	(136,200)	(129,100)	(120,000)	(1,448,700)
Premium (\$16/hog RWA)		29,440	29,440	28,960	30,992	27,952	23,552	27,344	23,888	19,760	33,504	29,984	32,896	29,136	366,848
Premium (\$5 hog HyLife)		14,100	13,790	13,055	13,845	15,000	15,115	14,380	15,070	15,100	15,470	15,405	14,230	14,165	188,725
Subtotal market hogs		1,282,840	1,281,630	870,015	754,937	630,652	809,967	1,058,724	1,151,358	1,034,760	1,115,474	1,271,189	1,209,026	1,123,301	13,593,873
Feeders		22,200	37,000	-	-	360,000	360,000	22,200	-	-	-	-	-	-	801,400
Iso-weanlings		49,500	-	49,500	-	49,500	-	49,500	-	49,500	-	49,500	-	49,500	346,500
Gilt sales		-	47,000	-	-	-	-	47,000	-	-	-	-	47,000	-	141,000
Cull sales		70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	910,000
Feed	9	331,750	443,750	243,750	443,750	243,750	531,750	243,750	443,750	243,750	531,750	243,750	243,750	443,750	4,632,750
<i>Other</i>															
Agri-stability	10	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payroll recovery		-	74,600	-	74,600	-	74,600	-	74,600	-	74,600	-	74,600	-	447,600
Total Receipts		1,756,290	1,953,980	1,233,265	1,343,287	1,353,902	1,846,317	1,491,174	1,739,708	1,398,010	1,791,824	1,634,439	1,644,376	1,686,551	20,873,123
Disbursements															
<i>Operations</i>															
Ingredients costs	11	1,194,000	1,194,000	1,194,000	1,194,000	1,194,000	1,194,000	1,194,000	1,194,000	1,194,000	1,194,000	1,194,000	1,194,000	1,194,000	15,522,000
Escalation		119,400	119,400	119,400	119,400	119,400	119,400	119,400	119,400	119,400	119,400	119,400	119,400	119,400	1,552,200
Production input costs	12	210,000	210,000	210,000	210,000	210,000	210,000	210,000	210,000	210,000	210,000	210,000	210,000	210,000	2,730,000
Operating expenses	13	491,750	415,343	340,714	108,750	238,750	363,250	340,714	108,750	238,750	341,750	260,250	210,714	238,750	3,698,235
Payroll	14	575,000	20,900	575,000	20,900	695,000	20,900	575,000	20,900	575,000	20,900	575,000	20,900	575,000	4,270,400
<i>Restructuring</i>															
Professional fees	15	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	650,000
KERP		-	-	-	-	700,000	-	-	-	-	-	-	-	-	700,000
Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Financing</i>															
Interest & principal	16	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DIP charges		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Disbursements		2,640,150	2,009,643	2,489,114	1,703,050	3,207,150	1,957,550	2,489,114	1,703,050	2,387,150	1,936,050	2,408,650	1,805,014	2,387,150	29,122,835
Net Cash Flows		(883,860)	(55,663)	(1,255,849)	(359,763)	(1,853,248)	(111,233)	(997,940)	36,658	(989,140)	(144,226)	(774,211)	(160,638)	(700,599)	(8,249,712)
Opening Cash		(3,034,273)	(3,918,133)	(3,973,796)	(5,229,645)	(5,589,408)	(7,442,656)	(7,553,889)	(8,551,829)	(8,515,171)	(9,504,311)	(9,648,537)	(10,422,748)	(10,583,386)	(3,034,273)
Net Cash Flows		(883,860)	(55,663)	(1,255,849)	(359,763)	(1,853,248)	(111,233)	(997,940)	36,658	(989,140)	(144,226)	(774,211)	(160,638)	(700,599)	(8,249,712)
Closing Cash (Indebtedness)		(3,918,133)	(3,973,796)	(5,229,645)	(5,589,408)	(7,442,656)	(7,553,889)	(8,551,829)	(8,515,171)	(9,504,311)	(9,648,537)	(10,422,748)	(10,583,386)	(11,283,985)	(11,283,985)
Excess over DIP Facility						(1,840,711)	(1,951,944)	(2,949,884)	(2,913,226)	(3,902,366)	(4,046,592)	(4,820,803)	(4,981,441)	(5,682,040)	(5,682,040)

Notes

1. Hedged market volumes and prices based on existing Maple Leaf contracts.
2. Market hog production volumes based on TPC production cycle and expected deliveries.
3. Market hog price estimated based on current USDA prices and CME futures prices.
4. Feeder sales expected to be nil, (other than committed contracts) as current and expected prices assume sales are more beneficial at the isowean stage.
5. Based on historical and expected future sales.
6. Based on historical and expected future prices.
7. Based on current exchange rate and CME futures rates
8. Cash receipts for market hog sales received the week after shipment
9. Primarily wholesale and commercial feed receipts based on historical revenue receipts adjusted for expected changes to payments from customers.
10. Assumes Agristability funding is not received during the cash flow period.
11. Based on recent ingredient costs and payments.
12. Estimate of expected purchases based on recent experience and go forward expectations.
13. Estimated based on contractual obligations and historical experience.
14. Estimated based on current payroll and contract payments.
15. Estimated based on expected legal and accounting fees during the projection period.
16. Estimated interest on current and HILLRP financing.

Exhibit C – Notice of Intended Process

THE QUEEN'S BENCH
WINNIPEG CENTRE

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.

Application under the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as
amended

NOTICE OF INTENDED PROCESS

TO: • (the "Prospective Purchaser")
 •
 •

Attention: •

FROM: DELOITTE & TOUCHE INC., (the "Monitor") in its capacity as Court -
appointed Monitor of The Puratone Corporation, Pembina Valley Pigs Ltd. and Niverville
Swine Breeders Ltd. (collectively the "Applicants")

RE: Proposed Sale of some or all the assets, undertakings and properties of
the Applicants (the "Property")

You are hereby notified that Wednesday, the 10th day of October, 2012 at 10:00 a.m.
has been reserved as a hearing date before The Honourable Mr. Justice Dewar, of the
Court of Queen's Bench of Manitoba (the "Hearing"). At that time, the Court will
consider our Report, which has yet to be prepared, on the conduct to date of the
proceedings commenced in respect of the Applicants pursuant to the *Companies'*
Creditors Arrangements Act. One of the items for consideration by the Court will be the
authority of the Monitor to accept any offers made to us pursuant to the process outlined
below with respect to the purchase of some or all of the Property.

We received from you a Letter of Intent dated •. We have also received one or more
Letters of Intent from other parties. Inconsistencies among the Letters of Intent makes
proper analysis difficult, if not impossible. Accordingly, we have decided that we are not
prepared to continue negotiations based on any of the Letters of Intent.

In order to ensure consistency of analysis and treatment, we have concluded that it
would be preferable to require each of the interested parties to proceed in a consistent
manner. To that end, we are attaching three schedules:

- (a) the first schedule, which is entitled Estimated Livestock Inventory Valuation, was prepared by the Applicants (not the Monitor) and it shows the livestock inventory and the Applicants' estimated value thereof in accordance with the Notes and Assumptions shown on the second page of the schedule;
- (b) the second schedule, which is entitled Livestock Inventory, is to be used by each interested party to show, on a line by line basis, its estimated value per hog and the amount that it is willing to offer to purchase those hogs; and
- (c) the third schedule, which is entitled Capital Asset Listing, was prepared by the Applicants (not the Monitor) and it shows the capital assets that are owned by the Applicants and are offered for sale. It is to be used by each interested party to show, on a line by line basis, the amount that it is willing to offer to purchase each of the capital assets.

If you have a continuing interest in purchasing some or all of the Property, the second and third of the attached schedules are to be completed and delivered to us no later than **noon CDT on Monday, October 15, 2012**. Upon receipt, we will conduct an analysis and determine which of the interested parties merits further discussion with a view to concluding a binding purchase agreement on or before **October 22, 2012**.

Effective immediately and continuing up to and including 10:00 a.m. CDT on Monday, October 15, 2012, representatives of the Applicants and the Monitor will be available to respond to questions from each of the interested parties as necessary.

Should you elect to complete and return the schedules to us, the confidentiality and non-solicitation agreements entered into between you and the Applicants pertaining to the Confidential Information Memorandum previously provided to you will remain in effect pending the later of the time of termination pursuant thereto or completion of the sale of the Property pursuant to an Order of the Court. In addition, all references to Ernst & Young Inc. will be deleted and replaced with Deloitte & Touche Inc.

Dated at the City of Winnipeg, in Manitoba the 2nd day of October, 2012.

DELOITTE & TOUCHE INC., in its capacity as the Court appointed Monitor of the Applicants and not in its personal capacity

Per: _____
Authorized Signing Officer

**The Puratone Corporation, Niverville Swine Breeders Ltd., and
Pembina Valley Pigs Ltd.**

Estimated Livestock Inventory Valuation
(Excludes Joint Ventures and Equity Investments)

DESCRIPTIONS	Quantity At Aug 25/12	Estimated Value per Hog (\$)	1	Total
Breeding Herd:				
Gilts	75			
Sows	24,310			
Teaser Boars	122			
Genetics Boars	137			
Select Gilts	4,644			
Subtotal	29,288	113.47	2	\$ 3,323,309
Piglets (pre-wean):				
Subtotal	37,020	1.24	3	\$ 46,055
Pigs (Nursery):				
Week 4	11,484	7.05		80,930
Week 5	12,933	10.50		135,740
Week 6	11,758	14.07		165,470
Week 7	11,743	17.82		209,235
Week 8	11,729	21.59		253,236
Week 9	9,849	25.53		251,484
Week 10	9,940	29.60		294,240
Week 11	102	35.32		3,602
Subtotal	79,538			\$ 1,393,938
Pigs (Finishing):				
Week 11	8,637	35.32		305,044
Week 12	8,538	41.05		350,512
Week 13	2,892	46.95		135,784
Week 14	3,031	53.90		163,381
Week 15	8,061	60.97		491,476
Week 16	7,928	68.37		542,044
Week 17	10,236	76.04		778,352
Week 18	9,023	83.91		757,136
Week 19	5,460	91.78		501,135
Week 20	7,928	99.65		790,059
Week 21	7,649	107.53		822,462
Week 22	9,114	115.70		1,054,490
Week 23	7,145	124.91		892,453
Week 24	8,634	134.48		1,161,058
Week 25	8,913	142.12		1,266,695
Week 26	6,528	146.07		953,536
Week 27	815	147.21		119,978
Week 28	1,550	147.21		228,180
Subtotal	122,082			\$ 11,313,775
TOTAL (rounded)				\$ 16,077,000

Notes and Assumptions:

- 1) The information contained herein is based on the books and records of the Company. The Monitor has not independently verified nor has it made an independent appraisal of the accuracy and completeness of any information contained herein. While such information is believed to be accurate, the Monitor does not make any representations or warranties, express or implied, statutory or otherwise as to the accuracy or completeness of any information contained herein.
- 2) Sow value has been determined base on the average Parks Livestock cull realizations during the month of September 2012.
- 3) Estimated market values are based on CME Futures prices as at Sept 27, 2012 adjusted by the Company for estimated grow out costs.

**The Puratone Corporation, Niverville Swine Breeders Ltd., and
Pembina Valley Pigs Ltd.**

Livestock Inventory
(Excludes Joint Ventures and Equity Investments)

DESCRIPTIONS	Quantity At Aug 25/12	Estimated Value per Hog (\$)	Offer Price
Breeding Herd:			
Gilts	75		
Sows	24,310		
Teaser Boars	122		
Genetics Boars	137		
Select Gilts	4,644		
Subtotal	29,288		\$
Piglets (pre-wean):			
Subtotal	37,020		\$
Pigs (Nursery):			
Week 4	11,484		
Week 5	12,933		
Week 6	11,758		
Week 7	11,743		
Week 8	11,729		
Week 9	9,849		
Week 10	9,940		
Week 11	102		
Subtotal	79,538		\$
Pigs (Finishing):			
Week 11	8,637		
Week 12	8,538		
Week 13	2,892		
Week 14	3,031		
Week 15	8,061		
Week 16	7,928		
Week 17	10,236		
Week 18	9,023		
Week 19	5,460		
Week 20	7,928		
Week 21	7,649		
Week 22	9,114		
Week 23	7,145		
Week 24	8,634		
Week 25	8,913		
Week 26	6,528		
Week 27	815		
Week 28	1,550		
Subtotal	122,082		\$
TOTAL			\$

**The Puratone Corporation, Niverville Swine Breeders Ltd., and
Pembina Valley Pigs Ltd.**

Capital Asset Listing

1	SOW UNITS	Capacity	Location	Ownership	Fixed Assets	Inventory	Offer Price	
	Darling Pigs	2,480	RM Pembina SW 28-1-7W	100%	2,480	2,480		
	Interlake Weanlings	3,200	LGD Armstrong SE 1/4 28-21-3e LGD Armstrong NE 1/4 21-21-3	100%	3,200	3,200		
	K-Line Pigs Ltd.	1,200	RM Stanley SW 13-2-4W	100%	1,200	1,200		
	Post Road Ventures	2,550	RM Rhineland NW 1/4 6-1-1e	100%	2,550	2,550		
	Prairie Grass Pork	1,000	RM Rhineland E 1/2 SW 29-3-3w	100%	1,000	1,000		
	Rosenfeld Piglets	2,630	RM Rhineland SE 22-3-1W	100%	2,630	2,630		
	Shelly's Hog Farm	2,800	RM Hanover NE 1/4 25-5-5e	100%	2,800	2,800		
	Subtotal						\$	1
2	NURSERY UNITS	Capacity	Location	Ownership	Fixed Assets	Inventory	Offer Price	
	ASR Pigs	50,400	RM LaBroquerie 13-5-7e	100%	50,400	50,400		
	Forest Lane Farm Ltd.	8,400	RM Ste. Anne e 1/2 3-7-8 EPM	100%	8,400	8,400		
	Subtotal						\$	2
3	FINISHING UNITS (A)	Capacity	Location	Ownership	Fixed Assets	Inventory	Offer Price	
	Arborg Agri-Ventures	6,200	RM Bifrost S 1/2 of SW 14-23-1e	100%	6,200	6,200		
	Border Bacon Growers	7,500	RM Louise W 1/2 NE11-1-11W	100%	7,500	7,500		
	Dauphin Pura Pork	5,935	RM Dauphin NW 1/4 23-25-20w	100%	5,935	5,935		
	Interlake Pura Pork	6,400	RM Bifrost SE 1/4 23-25-3e	100%	6,400	6,400		
	Kaleida Pork	6,400	RM Pembina SW 1/4 16-2-8w	100%	6,400	6,400		
	Marquette Feeders	6,400	RM Woodlands NE 1/4 4-13-2W	100%	6,400	6,400		
	Pork Place	3,200	RM Hanover NW 1/4 34-7-4e	100%	3,200	3,200		
	Premium Pig Producers	7,900	RM Pembina SW 16-1-7W	100%	7,900	7,900		
	Puralean Pork Ventures	4,150	RM Ritchot SE 1/4 20-8-4e	100%	4,150	4,150		
	Ritchot Swine Breeders	6,900	RM Ritchot NW 1/4 30-8-4e	100%	6,900	6,900		
	Silver Rock Pork	5,175	RM Hanover SE 1/4 6-6-5e	100%	5,175	5,175		
	SouthmanPork	10,000	RM Montcalm SE 8-2-1E	100%	10,000	10,000		
	Winkler Pura Pork	5,935	RM Roland SW 1/4 6-4-4w	100%	5,935	5,935		
	Subtotal						\$	3A
	FINISHING UNITS (B)	Capacity	Location	Ownership	Fixed Assets	Inventory	Offer Price	
	Niverville Swine Breeders Ltd. 1	1,960	RM Desalaberry SW 12-7-3w	100%	1,960	1,960		
	Niverville Swine Breeders Ltd. 2	6,680	RM Desalaberry NW 6-6-4e	100%	6,680	6,680		
	Niverville Swine Breeders Ltd. 3	6,800	RM Ritchot NW 1/4 10-7-3e	100%	6,800	6,800		
	Subtotal						\$	3B
4	FARROW TO FINISH UNITS	Capacity	Location	Ownership	Fixed Assets	Inventory	Offer Price	
	Interlake Swine Breeders	1,250	LGD Fischer S 1/2 4-22-1w LGD Armstrong N 1/2 33-21-1w LGD Armstrong 34-21-1w	100%	1250	1250		
	Killarney Shamrock Genetics	1,300	RM Killarney SE 25-3-16W, 24-3-16W	100%	1300	1300		
	Vita Select Genetics	1,235	RM Stuartburne NE 1/4 32-3-7e	100%	1235	1235		
	Subtotal						\$	4
5	BOAR UNITS	Capacity	Location	Ownership	Fixed Assets	Inventory	Offer Price	
	Puratone Boar Station	240	RM Rockwood NW 1/4 29-13-3e	100%	240	240		
	Subtotal							5
6	GILT DEVELOPMENT CENTRES	Capacity	Location	Ownership	Fixed Assets	Inventory	Offer Price	
	Emerson Quarantine	560	RM Franklin SW 1/4 2-1-3E	100%	560	560		
	Genetics West	200	RM Stanley NW 1/4 4-2-4W	100%	200	200		
	Subtotal						\$	6

7	CONTRACT UNITS	Capacity	Location	Ownership	Fixed Assets	Inventory	Offer Price	
	SOW							
	Joubert Creek Farm	1,650	RM Hanover SW 1/4 13-4-6	lease to own	NO	1,650		
	Silver Ridge Farms	900	RM Armstrong N1/2 of the N1/2 of Section 22-21-2E	Lease	NO	900		
	Silver Weanlings Inc.	2,650	RM Armstrong SW 29-21-2E, SE30-21-2E	contract	NO	2,650		
	Tri-Venture Farms	1,350	RM Ritchot NW7-8-4E	contract	NO	1,350		
	NURSERY							
	Chris Cure	5,000	RM Stuartburn SE19-1-8E	contract	NO	5,000		
	D&G Nursery	5,000	RM Morris SW10-5-1W	Lease	NO	5,000		
	E&M Nursery	5,000	RM Morris SE9-5-1W	Lease	NO	5,000		
	Lone Tree Pork	10,000	RM Morris SW33-5-1W	Lease	NO	10,000		
	FINISHING							
	Southland Feeders	4,200	RM Hanover NE 1/4 13-4-6	Lease to own	NO	4,200		
	Benny Dueck	750	RM Bifrost SW5-24-3E	contract	NO	750		
	Earl Loewen	900	RM Morris SW34-5-1E	contract	NO	900		
	Eastern Red Farms Ltd.	1,100	RM DeSalaberry NW7-5-3E	contract	NO	1,100		
	Eddie Dueck	2,150	RM Bifrost SE34-23-2E	contract	NO	2,150		
	Flowing Well 1 & 2	4,300	RM Bifrost 14-24-3E	contract	NO	4,300		
	Gerald Voth & Jerry Friesen	1,800	RM Rhineland SW25-1-1W	contract	NO	1,800		
	Glenn & Karen Friesen	4,000	RM DeSalaberry 32-4-5E	contract	NO	4,000		
	Hyperform 1 & 2	4,300	RM Bifrost SW19-24-4E	contract	NO	4,300		
	JED Farms	2,150	RM Bifrost SE32-23-3E	contract	NO	2,150		
	Junction Farms	2,400	RM Rhineland SE17-1-1W	contract	NO	2,400		
	Kindred Hogs Ltd.	2,600	RM DeSalaberry SE7-5-3E	contract	NO	2,600		
	Paul Dueck	2,150	RM Bifrost SW27-24-2E	contract	NO	2,150		
	Pembina Farms Gretna	2,100	RM Rhineland SW16-1-2W	contract	NO	2,100		
	Poiron Farms Ltd.	5,000	RM Lorne SW32-5-9W	contract	NO	5,000		
	Twin Rainbow	2,150	RM Bifrost SW32-23-3E	contract	NO	2,150		
	Subtotal						\$	7
8	FEED MILLS	Title #	Legal Description	Ownership			Offer Price	
	Arborg Feed Mill	1835751	Lot 1 Plan 43542 in Lots 46 and 47 22-2E RM of Bifrost	100%				
		2069109						
	Winkler Feed Mill	1553944	Lot 1 Plan 33290 in NE 1/4 4-3-4W in RM of Stanley	100%				
	Niverville Feed Mill	1800287	Parcel 1 in SE 1/4 31-7-4E in RM of Hanover	100%				
	Subtotal						\$	8
9	CORPORATE OFFICE	Title #	Legal Description	Ownership			Offer Price	
	Corporate Office	1754063	Lot 2 Block 2 Plan 34434 in SE 1/4 31-7-4E Hanover	100%				
		1754064	Lot 1 Block 2 Plan 34434 in SE 1/4 31-7-4E Hanover					
	Subtotal						\$	9
#	SHARE HOLDINGS	Capacity	Type	Location	Ownership Percent		Offer Price	
	Paradigm Farms Ltd. Sow	2,850	Sow/Nursery (14,336 nursery spaces)	RM Rockwood 19-15-3E	30%			
	Paradigm Farms Ltd. Narcisse	7,200	Finishing	RM Armstrong 30-19-1E	30%			
	Paradigm Farms Ltd. #1	2,400	Finishing	RM Bifrost NE 1/4 29-25-3	30%			
	Paradigm Farms Ltd. #2	2,400	Finishing	RM Bifrost NE 1/4 32-25-3	30%			
	Paradigm Farms Ltd. Skylake	6,800	Finishing	RM Armstrong E 1/2 27-21-1E	30%			
	Bond Hog Ventures Ltd.	6,400	Finishing	RM Rockwood W 1/2 NE 1/4 30-16-3e	50%			
	Heritage Hogs Ltd.	6,400	Finishing	RM Hanover NW 1/4 35-7-4E	50%			
	JVCO Ltd. -Transportation joint venture				50%			
	Horizon Livestock & Poultry Supply Ltd.				50%			
	Pura Organics Limited Partnership				89%			
	Subtotal						\$	10
	TOTAL						\$	