File No. CI 12-01-79231

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

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PRE-FILING REPORT OF THE PROPOSED MONITOR, DELOITTE & TOUCHE INC. – SEPTEMBER 11, 2012

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Court File No. CI 12-01-79231

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

PRE-FILING REPORT OF THE PROPOSED MONITOR, DELOITTE & TOUCHE INC.

September 11, 2012

INTRODUCTION

1. Deloitte & Touche Inc. ("**Deloitte**") has been advised that The Puratone Corporation ("**TPC**"), Niverville Swine Breeders Ltd., and Pembina Valley Pigs Ltd. (collectively the "**Applicants**") intend to file an application in the Manitoba Court of Queen's Bench (the "**Court**") seeking certain relief under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"). Deloitte has been requested to act as the Monitor for the purposes of the CCAA proceedings and has consented to being appointed as such (the "**Proposed Monitor**").

2. This report ("**Report**") has been prepared by the Proposed Monitor to assist the Court in considering the requests for relief that are to be made by the Applicants and to provide the Court with information concerning the following:

   A. The Proposed Monitor's prior relationship with the Applicants;

   B. Deloitte's qualifications to act as Monitor;

   C. Business, financial affairs and financial results of the Applicants;

   D. History of actions taken and alternatives considered by the Applicants and their advisors to resolve financial challenges;

   E. Cash management system;

   F. Applicants' 13-week cash flow forecast;

   G. Debtor in possession financing;

   H. Key employee retention plan;

   I. Charges in the draft Initial Order; and

   J. The Proposed Monitor's conclusions.

3. In this Report, reference is made to the Affidavit of Raymond Hildebrand sworn September 11, 2012, in support of the application filed by the Applicants in these proceedings (the "**Hildebrand Affidavit**"). Capitalized terms not otherwise defined in

this Report are as defined in the Hildebrand Affidavit or in the application filed by the Applicants.

4. In preparing this Report, the Proposed Monitor has relied upon unaudited interim financial information, the Applicants' books and records, the Hildebrand Affidavit and discussions with management and their financial and legal advisors. The Proposed Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information and, accordingly, the Proposed Monitor expresses no opinion or other form of assurance on the information contained in this Report. An examination of the financial forecast as outlined in the Canadian Institute of Chartered Accountants Handbook has not been performed. Future oriented financial information referred to or relied upon in this Report is based on management's assumptions regarding future events and conditions that are not ascertainable. Accordingly, actual results achieved will vary from this information, and the variations may be material.

5. The future orientated financial information has been prepared solely for the purpose of reflecting management's best estimate of the cash flow of the Applicants in their CCAA proceedings, and readers are cautioned that such information may not be appropriate for other purposes.

6. Unless otherwise stated, all monetary amounts contained in this Report are expressed in Canadian dollars.

A. PROPOSED MONITOR'S PRIOR RELATIONSHIP WITH THE APPLICANTS

7. The Proposed Monitor's affiliated accounting firm, Deloitte & Touche LLP, is not the auditor of TPC or any of its subsidiaries, joint ventures in which it is a participant and other investments in entities referred to herein (all of which are collectively referred to herein as "**Puratone**"). On March 24, 2009, Deloitte & Touche LLP was engaged by TPC to provide financial consulting services to assist in completing proposed share exchange transactions where shares of independent producer targets were to be exchanged for shares of TPC. TPC has advised that no share exchange transactions ever materialized. Deloitte & Touche LLP completed this engagement on July 8, 2009.

8. On October 15, 2009, Deloitte & Touche LLP was engaged by TPC to provide financial consulting services, at the request of TPC's operating lender, Bank of Montreal (**"BMO"**), which included an independent review and commentary on Puratone's business viability pursuant to the terms of the Hog Industry Loan Loss Reserve Program (**"HILLRP"**). HILLRP is a federal government program to which one or more of the Applicants applied which provided for the operating loans of qualified hog operations to be financed on a term basis over a period of 10 to 15 years, thereby assisting with their working capital positions. In return, the operating lender received funds under the program for the potential future loan losses of an applicant. Deloitte & Touche LLP completed this engagement on December 14, 2009.

9. On March 31, 2010, Deloitte & Touche LLP was engaged by TPC to monitor the operations and financial performance of Puratone on a quarterly basis, commencing with the quarter ended December 31, 2009. All reporting was to TPC with copies to BMO and Farm Credit Canada (**"FCC"**). Deloitte & Touche LLP is still engaged under this mandate.

10. Deloitte was retained by TPC on July 4, 2012 to assist with restructuring efforts of Puratone including preparation for a potential filing by the Applicants under the CCAA. Since that date, Deloitte & Touche LLP has been reviewing the available financial information to gain knowledge of the business and financial affairs of the Applicants and, in our capacity as the Proposed Monitor, we have been preparing for the anticipated CCAA application by the Applicants.

B. DELOITTE'S QUALIFICATIONS TO ACT AS MONITOR

11. Deloitte is a Trustee in Bankruptcy within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act (Canada)*. Neither Deloitte nor any of its representatives or affiliates have been at any time in the two preceding years the auditor, a director, officer or employee of the Applicants or otherwise related to the Applicants or to any director or officer of the Applicants or a trustee (or related to any such trustee) under a trust indenture issued by the Applicants or any person related to the Applicants.

12. Deloitte is related to Deloitte & Touche LLP. Deloitte & Touche LLP is an independent international professional services firm providing among other things, bankruptcy, insolvency, and restructuring services. The senior Deloitte professional personnel with carriage of this matter include experienced insolvency and restructuring practitioners who are Chartered Accountants, Chartered Insolvency and Restructuring Professionals and licensed Trustees in Bankruptcy (Canada), all of whom have acted in matters of a similar nature and scale in Canada.

13. Deloitte has consented to act as Monitor should this Court grant the Applicants' request for an Initial Order in the CCAA proceedings.

C. BUSINESS, FINANCIAL AFFAIRS AND FINANCIAL RESULTS OF THE APPLICANTS

14. The Proposed Monitor has been advised by TPC that each of the Applicants is a private corporation with operations located exclusively in the Province of Manitoba, consisting of extensive hog production operations and related feed production facilities.

15. TPC was founded in 1973 and operated primarily as a single feed milling operation in Niverville, Manitoba. In 1975, it constructed a new feed production mill in Niverville and subsequently purchased controlling interests in two additional feed mills located in Arborg and Winkler, Manitoba.

16. In 1982, Puratone built on the foundation of its established feed production expertise by contracting hog production. The vertical integration provided in both feed and hog production yielded an economic advantage that supported further capital investment through the construction of modern hog farming operations. TPC continued to seek vertical integration opportunities in other aspects of production leading to the development of a fully integrated hog production operation under the Puratone name.

17. By the early 1990s, TPC began joint venturing with investors to establish numerous independent hog production companies that were centrally managed through Puratone's hog production system. During this time, TPC's core business began to shift from feed retailing activities to primary hog production.

18. In the early 2000s, certain joint venture hog production companies amalgamated with TPC to better align interests of all stakeholders and promote greater utilization of working capital. In 2005 and 2006, TPC added several other commercial hog production operations through acquisitions.

19. In 2006, Puratone expanded and consolidated its farm supply retail operations through the establishment of the Agri-Mart Poultry & Livestock Ltd. outlets (called Horizon Livestock & Poultry Supply Ltd. effective 2010) (“**Horizon**”). Originally consisting of five retail stores located in Manitoba, Horizon downsized to three as the focus shifted from conventional retail to a lower cost distribution model that could service the wholesale market for large scale enterprises along with the retail market for smaller, independent operators.

20. Presently, Puratone is a major player in agribusiness and is the fourth largest hog producer in Canada. Puratone has a balanced production system with approximately 29,000 breeding sows producing in excess of 500,000 market hogs per year utilizing approximately 41 operating facilities throughout Manitoba. It also operates three feed mills capable of producing 300,000 tonnes of livestock feed per year and has established vertical integration with all material inputs and essential service aspects of hog production being provided through ownership in special purpose enterprises.

21. Attached hereto as Exhibit “A” is a corporate organizational chart that depicts the current structure of Puratone, including TPC and its subsidiaries and related entities.

22. Attached hereto as Exhibit “B” is a summary of all real property holdings of Puratone, including TPC and its subsidiaries and related entities.

23. Puratone, inclusive of its subsidiaries and related entities, currently has approximately 304 employees (full-time and part-time). Management has advised the Proposed Monitor that all employee-related obligations are current. Management has also advised the Proposed Monitor that all of the employees are non-unionized and that there are no registered or unregistered pension plans.

24. TPC maintains separate books of account for each of its subsidiaries and related entities. Head office consolidates the financial results for entity wide reporting purposes.

25. Attached hereto as Exhibit "C" is a schedule summarizing the consolidated financial statements of TPC for the years ended September 30, 2009, September 30, 2010, September 30, 2011 (audited) and for the ten months ended July 28, 2012 (unaudited).

26. The table below sets out selected consolidated financial information for the periods indicated:

THE PURATONE CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS

	Financial Year Ended September 30 2009 (audited)	2010 (audited) ($ in 000s)	2011 (audited)	10 Months Ended July 28, 2012 (unaudited)
Revenue	$ 130,422	$ 97,897	$ 103,068	$ 87,422
EBITDA	(14,588)	10,068	4,354	(2,030)
Net Income (loss)	(23,395)	4,374	(3,556)	(9,533)
Bank indebtedness	2,848	356	6,407	13,396
Long-term debt - BMO	28,905	28,905	28,905	28,164
Long-term debt - FCC	39,837	40,676	40,344	40,282
Long-term debt - Other	10,196	9,951	11,911	11,127
Total debt	81,786	79,888	87,567	92,969
Total Debt / EBITDA	(3.5)	18.3	(24.6)	(9.8)
Available liquidity				
Cash and cash equivalents	130	3,363	192	267
Credit availability	11,337	13,624	7,648	659
Total	$ 11,467	$ 16,987	$ 7,840	$ 926

Source: Puratone Annual Reports (F09, F10, F11) and 10-month internal financial statements

27. As indicated in the table above, TPC's financial results have been volatile over the past three years.

28. In 2009, the impact of events such as the H1N1 epidemic caused hog prices to remain low as both domestic and export demand suffered in an already oversupplied market. The impact of the United States Country of Origin Labeling legislation, which became effective on March 16, 2009, continues to hurt export markets, and the sustained

appreciation of the Canadian dollar relative to the US dollar further contributed to TPC's net loss of $23.4 million.

29. In January 2010, TPC successfully refinanced its credit facilities with BMO and FCC pursuant to the HILLRP, which the Federal Government had instituted to assist hog producers. Approximately $35.9 million was restructured under HILLRP. The portion of the FCC term debt which was not covered by HILLRP was also restructured and termed out over a 15 year amortization period.

30. In 2010, recovering hog markets and TPC's concerted efforts to reduce costs through austerity measures and continuous improvement initiatives resulted in net income of approximately $4.3 million. This included a one-time gain of $2.8 million as a result of reduced interest rates negotiated as part of the FCC refinancing, and a $1.5 million gain on the sale of its equity investment in Niverville Farms (2000) Ltd.

31. In 2009 and 2010, TPC received AgriStability payments (the Agriculture and Agri-Food Canada program designed to help achieve an environmentally sustainable, competitive and innovative agriculture, agri-food and agri-based products sector) of approximately $5.4 million and $3.8 million respectively, which were recorded as income in those years. TPC did not receive any AgriStability payments in 2011.

32. Notwithstanding a growth in sales for the first ten months of 2012, operating results continued to deteriorate to a point where TPC suffered a loss of $9.5 million for the ten months ending July 28, 2012. In addition, available liquidity has been reduced by $6.9 million in the last ten months of operations.

33. As at July 28, 2012, TPC owed an aggregate amount of approximately $93.0 million, not including accrued fees and interest but including outstanding cheques, to its secured lenders as follows:

Secured Lender	Amount (000's)
BMO - Operating Line	12,713
BMO - HILLRP	28,164
FCC - HILLRP	6,898
FCC - Term Loan	33,384
MASC	5,000
Other	6,810
Total	**92,969**

34. Puratone's primary secured lenders include BMO and FCC. BMO's primary security consists of the sow and hog inventory as well as the book debts or accounts receivable. BMO is owed approximately $40.9 million consisting of an operating facility of approximately $12.7 million (including outstanding cheques) and term debt of approximately $28.2 million. BMO's operating facility is margined based on inventory and accounts receivable and is capped at $13 million. FCC's primary security consists of real property and operating assets. FCC is owed approximately $40.3 million. Other amounts owed to secured lenders total approximately $11.8 million (excluding fees and interest) and include Manitoba Agriculture Services Corporation, a Provincial Crown Corporation, which is owed approximately $5.0 million and $6.8 million under various lease commitments, and other subordinate or postponed borrowings or facilities.

35. As at July 28, 2012, Puratone was in breach of its EBITDA covenant pursuant to its credit agreement with BMO. Furthermore, its liquidity position had deteriorated to the point where there was approximately $0.9M of credit availability on a consolidated basis.

36. During the month of August 2012, there was considerable dialogue between the Applicants, BMO and FCC with respect to the Applicants' financial position. The projected cash flow projections in early August disclosed that the maximum operating credit facility would be exceeded prior to the end of the month. On August 31, 2012, a Term Amending Agreement was executed whereby BMO, with the participation of FCC, agreed to provide a temporary bulge of $1.0 million on the existing operating facility, resulting in a total available operating line of $14.0 million. The bulge was intended to enable the Applicants to continue operations until a formal application was brought before the Court.

D. HISTORY OF ACTIONS TAKEN AND ALTERNATIVES CONSIDERED BY THE APPLICANTS AND THEIR ADVISORS TO RESOLVE FINANCIAL CHALLENGES

37. As previously mentioned, in January 2010, TPC successfully refinanced its credit facilities with BMO under the Federal Government sponsored HILLRP. As a result, \$26.4 million of the operating credit facility was refinanced as term debt, resulting in total term debt to BMO in the amount of \$28.9 million. A new operating credit facility of \$13.0 million was then established with BMO. The term loan offered a 15 year term with interest only payments for the first two years.

38. In addition, as at September 30, 2009 TPC and its wholly owned subsidiaries had a series of secured term loans totaling \$42.3 million from FCC. These loans, along with accrued interest, were also restructured in January 2010. By making use of the HILLRP, Puratone was able to restructure these series of loans into one HILLRP loan of \$7.0 million with a 15 year amortization and interest only payments for the first two years and to re-amortize the remaining \$35.3 million over 15 years with interest only payments for the first year.

39. The FCC term debt repayments commenced in March 2011. Given the unfavorable financial results, TPC approached FCC for an amended repayment schedule. Effective March 1, 2012, FCC agreed to amend the repayment schedule such that there would be a permanent interest rate reduction and a set fixed monthly principal repayment of \$50,000 for the twelve months ending March 31, 2013.

40. Effective March 31, 2012, repayments under the HILLRP commenced. TPC was able to make the required repayments from March to June 2012. Due to liquidity challenges, in June 2012 TPC requested a deferral of the July 2012 HILLRP payment from BMO and FCC and subsequently requested a deferral of the August 2012 HILLRP payment as well. Both lenders agreed to the deferrals.

41. TPC has indicated that BMO and FCC have advised that, in accordance with the provisions of the HILLRP, once repayments under the HILLRP are in default to the

extent of three months, the secured lenders are required to enforce and realize on their security in order to maintain the funding guarantee provided under the program.

42. TPC has advised that, during the period of 2007 to present, in addition to the financial restructuring measures undertaken, the following operational restructuring and austerity measures were pursued:

i. Selling and general administration costs were reduced by 20%;

ii. Staffing levels were reduced by approximately 16%;

iii. New hog marketing contracts were secured with targeted specialized markets which yielded improved gross margins in excess of $1.0 million per annum;

iv. Improved production practices were implemented which provided additional net income;

v. A hedging program was implemented which yielded in excess of $4.0 million of improved aggregate gross profits;

vi. The retail poultry feed business unit was sold;

vii. Other non-core assets were sold which yielded receipts of $2.5 million for an investment held in an egg laying operation and $0.8 million for a feed mill asset; and

viii. US operations were wound-down which yielded aggregate receipts in excess of $8.0 million through related asset divestitures.

43. The Proposed Monitor has been further advised that, during this time, it became apparent to management and the Board of Directors of TPC that, with the current commodity and hog market outlook, the debt service requirements, and the present over-leveraged position of the Applicants, measures needed to be taken to improve operating results,

liquidity and capital structure. It was determined that any further refinancing would be too challenging and that efforts should be focused on an asset sale or equity investment.

44. In May 2012, TPC engaged Ernst & Young Inc. ("**EYI**") to identify potential interest in an acquisition of assets or a strategic investment. The Proposed Monitor met with EYI and TPC on several occasions and has been provided with certain documentation related to the marketing and sales process.

45. The activities undertaken by EYI and the results of the Sales and Investor Solicitation Process (the "**SISP**") are detailed in the Hildebrand Affidavit.

46. The Proposed Monitor has been advised that the SISP, as originally proposed, failed to result in a successful investment or sale transaction. Accordingly, the SISP has been terminated and replaced with a short-term, expedited strategy to complete a sale of the business, or parts thereof, which will be undertaken by the Applicants with the assistance of the Proposed Monitor (the "Sales Process").

E. CASH MANAGEMENT SYSTEM

47. TPC maintains a centralized cash management system (the "**Cash Management System**"), which is used to manage cash for the Applicants and all of their related subsidiaries. The Cash Management System is managed centrally from Head Office.

48. The Proposed Monitor has been advised by TPC that all cash receipts received from the sale of market hogs are deposited into a single Hog Marketing Trust Account (the "**Trust Account**"). On a weekly basis, funds are cleared from the Trust Account and are paid proportionately by deposits to the accounts of the related entities which supplied hogs sold by Puratone. Cash receipts for any hogs sold at intermediate stages of production are deposited directly into the bank account of the entity making the sale.

49. TPC, which is the parent company within the Applicants, has advised the Proposed Monitor that it pays certain expenditures on behalf of the Applicants and subsidiary entities. These charges are then allocated to the respective entity through intercompany accounts.

50. The Applicants intend to continue using the existing Cash Management System, and are seeking the approval of the Court to do so. The Proposed Monitor has no objection to continued use of the Cash Management System.

F. APPLICANTS' 13-WEEK CASH FLOW FORECAST

51. The Applicants' management has prepared a 13-week cash flow forecast (the "**Cash Flow Statement**") that estimates the financing requirements of the Applicants during the 13-week period, using assumptions as detailed in the Summary of Notes and Assumptions (the "**Notes and Assumptions**") appended to the Cash Flow Statement. A copy of the Cash Flow Statement is attached hereto as Exhibit "D".

52. The Cash Flow Statement is for the 13-week period from September 3, 2012 to December 2, 2012.

53. The Cash Flow Statement shows the receipt of funds from the ongoing sale of hogs which will be used to fund the Applicants' working capital requirements during the CCAA proceedings.

54. The Cash Flow Statement estimates that for the period of September 3, 2012 to December 2, 2012, the Applicants will have total receipts of approximately $20.1 million from the sale of hogs, and total disbursements of approximately $28.1 million for a net cash outflow of $8.0 million.

55. As at September 3, 2012, the Applicants were forecasting to have available liquidity of $1.1 million under the amended BMO operating credit facility of $14.0 million.

56. Management's Representation Letter on the Cash Flow Statement is attached as Appendix "E" to this Report.

57. The Proposed Monitor's review of the Cash Flow Statement consisted of inquiries, analytical procedures and discussions related to information supplied to us by certain of the management of the Applicants. Since the Notes and Assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Statement. We have also reviewed the

support provided by management for the Applicants for the Notes and Assumptions, and the preparation and presentation of the Cash Flow Statement.

58. Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:

i. The Notes and Assumptions are not consistent with the purposes of the Cash Flow Statement;

ii. As at the date of this 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 Cash Flow Statement, given the Notes and Assumptions; or

iii. The Cash Flow Statement does not reflect the Notes and Assumptions.

G. DEBTOR IN POSSESSION FINANCING

59. The Applicants have negotiated an Interim CCAA financing facility (the "**DIP Facility**") with BMO (the "**DIP Lender**"). The DIP Facility is expected to provide sufficient funding to allow the Applicants to reorganize their affairs in these proceedings, including pursuing a transaction in accordance with the Sales Process. The Applicants and their advisors believe that the DIP Facility is the only realistic source of funding available, given the urgency of the proposed filing, the prominent position of the DIP Lender in the capital structure of TPC and the minimal level of existing cash on hand. The First DIP loan drawdown of $0.1 million is forecast to occur during the second week of the CCAA filing.

60. The DIP Facility is attached to the Hildebrand Affidavit and is summarized in the table below. Terms capitalized in the table have the meaning ascribed to them in the DIP Facility.

Summary of DIP Facility Terms	
Total Availability	• Total availability of CDN $6.0 million, less the amount outstanding on the date hereof under the $1.0 million bulge agreement
Effective Date	• Effective on the granting of the Initial Order by the Court
Borrowers	• The Puratone Corporation; the remainder of the Applicants are

	guarantors.
Drawdowns	• Availability is subject to maximum weekly drawings specified in Part Four to the DIP Facility Term Sheet.
Purpose/Permitted Payments	• Limited to amounts set out in the Cash Flow Budget to be agreed to by the DIP Lender and Borrower.
Significant Terms	• Revolving operating credit facility; • Net Proceeds from the disposition of redundant or non-material assets, any receipts on account of extraordinary items (for example Ag-Stability payments), and any insurance proceeds all result in a permanent reduction of the DIP Facility; and • Other covenants which appear customary under the circumstances.
Fees and Interest	• **Refer to Confidential Exhibit**
Security	• All assets and property of the Borrower and Guarantors and the DIP Charge.
Maturity	• The earliest of (i) April 30, 2013; (ii) the CCAA Plan Implementation Date; (iii) the date of the termination of the stay period under the Initial CCAA Order or Related Orders under the CCAA Proceedings; (iv) demand by the DIP Lender following an Event of Default; (v) the date of substantial completion of the Liquidation Process as determined by the DIP Lender.
DIP Charge	• DIP Charge to rank subordinate only to the Administration Charge (further defined herein). DIP Charge in amount of CDN $6.0 million to ensure fees, costs and expenses are covered.

61. Management of the Applicants has advised the Proposed Monitor that it believes the Applicants can abide by all of the terms of the DIP Facility.

62. The DIP Facility requires that the existing security for the existing secured debt be amended to secure obligations under the DIP Facility.

63. The Proposed Monitor notes that the costs of the DIP Facility fall within a range of costs that the Proposed Monitor has reviewed in other recent comparable DIP loans.

64. The Proposed Monitor notes that funding under the DIP Facility is required on an urgent basis. The quantum of the DIP Facility reflects the cash needs of the Applicants, taking into consideration prevailing hog prices and the current stage of the production cycle. In addition, having the DIP Facility provided by one of TPC's current secured lenders, who is familiar with the Applicants, should result in efficiencies in communications and reporting during the CCAA proceedings.

65. The Proposed Monitor also notes that there are a number of terms and conditions of the DIP Facility that provide the DIP Lender with discretion and flexibility over the financing of the Applicants in these proceedings. In light of the quantum of the DIP

Lender's pre-filing debt and its position in TPC's capital structure, it is expected that the DIP Facility will be administered in a manner that furthers the goals of these proceedings.

H. KEY EMPLOYEE RETENTION PLAN

66. On September 6, 2012, the Applicants approved a Key Employee Retention Plan (the "**KERP**") with certain employees who are considered by the Applicants to be critical to the successful completion of the CCAA proceedings (the "**KERP Participants**"). The KERP is subject to the approval of the Court. Under the provisions of the KERP, each of the KERP Participants will receive a pre-determined amount contingent on the time required to complete the SISP, the outcome of the SISP, and the continuation or cessation of their employment. Management has advised that the maximum aggregate amount of payments under the KERP is approximately $0.7 million.

67. The KERP, which includes the identification of the participants and their respective amounts payable, is appended to the Hildebrand Affidavit filed under seal with the Court.

68. The Proposed Monitor is of the view that the provisions of the proposed KERP are generally consistent with the terms and range of retention amounts in comparable CCAA cases and are reasonable in the circumstances.

I. AUTHORIZATIONS AND CHARGES IN THE DRAFT INITIAL ORDER

69. The Proposed Monitor has reviewed the proposed initial CCAA order in these proceedings (the "**Initial Order**") and provides comments on certain provisions below.

Cash Management System

70. As previously indicated, it is proposed that the Applicants shall be entitled to continue to utilize the existing Cash Management System, or replace it with another substantially similar central cash management system.

71. In the Proposed Monitor's view, the maintenance of the existing Cash Management System is important to ensure cash receipts continue to be received and that payments are made in accordance with the established terms to all stakeholder groups who are entitled to receive payments in the CCAA proceedings.

Pre-Filing Obligations

72. The Initial Order authorizes, but does not require, the Applicants to pay certain payroll-related expenses, which may have arisen prior to the date of the Initial Order.

73. The Proposed Monitor notes that it is the intent of the Applicants, with the prior consent of the Monitor and Secured Lenders, to pay (i) the amounts owing for goods and services actually supplied to the Applicants, or (ii) the amounts which must be paid to obtain the release of goods or provision of services contracted for prior to the date of the Initial Order if, in either case, in the opinion of the Applicants, the supplier of the said goods or services is immediately critical to the Applicants' business and ongoing operations and failure to make such payments will jeopardize the ability of the supplier to continue in business. The Proposed Monitor has been advised that BMO and FCC support this pre-filing payment provision.

Proposed Court Ordered Charges over the Assets of the Applicants

Administration Charge

74. The Applicants' proposed form of Initial Order provides for an administration charge (the "**Administration Charge**") in an amount of $0.5 million for the Monitor, the Monitor's counsel, and counsel for the Applicants as security for professional fees and disbursements incurred before and after the making of the Initial Order in respect of these proceedings. The Administration Charge has been established based on respective professionals' previous history and experience with similar restructurings. The Proposed Monitor believes that the Administration Charge is required and reasonable in the circumstances.

75. In addition, the Proposed Monitor is advised that the Applicants have given notice of the application for the Initial Order (and therefore the Administration Charge to be created thereunder), to all of the secured creditors who are likely to be affected by the Administration Charge, as required by section 11.52(1) of the CCAA.

DIP Lender's Charge

76. It is proposed that the Applicants be authorized to borrow $6.0 million from the DIP Lender in accordance with the terms of the DIP Facility. As security for the DIP financing, it is proposed that the DIP Lender be granted a charge (the "**DIP Lender's Charge**") on the Property. The DIP Lender's Charge is not intended to secure an obligation that existed before the Initial Order.

Critical Suppliers' Charge

77. Attached as an Appendix to the proposed Initial Order are entities which Puratone has identified as critical suppliers and which fall within the definition contemplated by Section 11.4 of the CCAA (each a "**Critical Supplier**"). The Critical Suppliers generally comprise transportation services, feed suppliers, genetics suppliers, utilities and other suppliers of goods and services required for continued operations. The Proposed Monitor has been advised that all of these suppliers are necessary to the production and distribution of hogs and the interruption of supply by such suppliers could have an adverse impact on the operations of the Company and the achievability of the Cash Flow Forecast.

78. The applicants are seeking an Order under Section 11.4 of the CCAA requiring Critical Suppliers to continue supplying Puratone on terms and conditions consistent with existing supply arrangements. It is proposed that each Critical Supplier be entitled to the benefit of a collective charge (the "**Critical Suppliers' Charge**") on the assets and undertaking (the "**Property**") of Puratone, in an amount equal to the value of the goods and/or services supplied to Puratone by such Critical Supplier and received by the Applicants after the date of the Initial Order, less amounts paid to such Critical Supplier in respect of such goods and/or services.

Based on the information provided by the Applicants, the Proposed Monitor estimates that the maximum amount outstanding from time to time that would be subject to the Critical Supplier Charge would be approximately $0.4 million. The Proposed Monitor is of the view that the Critical Supplier Charge should provide adequate security for the credit advanced by the Critical Suppliers, considering the proposed ranking of the Critical Supplier Charge in these proceedings.

Indemnification of Directors and Officers and Directors' Charge

79. It is proposed that the Applicants indemnify their directors and officers against obligations and liabilities that they may incur after the commencement of these proceedings, except to the extent that the obligation or liability was incurred as a result of the director's or officer's gross negligence or willful misconduct.

80. It is proposed that directors and officers of the Applicants be entitled to the benefit of a charge (the "**Directors' Charge**") in the amount of $1.0 million as security for the indemnity provided.

81. The Proposed Monitor has been advised that the Directors' Charge is necessary for the continued service of the directors and officers of the Applicants during the restructuring and that the quantum has been calculated relative to certain employee and tax related statutory obligations of the Applicants for which the directors and officers may be held liable, and takes into account the value of directors' and officers' liability insurance that is maintained for all their directors and officers.

82. Given that the Applicants will require the committed involvement of their directors and officers to successfully restructure, the Proposed Monitor believes the Directors' Charge is required and reasonable in these circumstances.

83. In addition, the Proposed Monitor is advised that the Applicants have given notice of the application for the Initial Order (and thereby the Directors' Charge to be created thereunder), to all of the secured creditors who are likely to be affected by the Directors' Charge.

KERP Charge

84. It is proposed that the KERP Participants shall be entitled to the benefit of a charge (the "**KERP Charge**") on the property of the Applicants, which charge shall not exceed the amount of $0.7 million as security for all amounts becoming payable to the KERP Participants pursuant to the KERP. The Proposed Monitor is of the view that the KERP Charge is reasonable and necessary in the circumstances.

Priority of Charges Created by the Initial Order

85. The proposed priorities of the charges to be created under the Initial Order are as follows:

i. First – Administration Charge (to the maximum amount of $0.5 million);

ii. Second – DIP Lender's Charge (to the maximum amount of $6.0 million);

iii. Third – Critical Suppliers' Charge (to the maximum amount of $0.4 million);

iv. Fourth – Directors' Charge (to the maximum amount of $1.0 million); and

v. Fifth - KERP Charge (to the maximum of $0.7 million).

86. The Proposed Monitor has reviewed the calculations that support the Administration Charge, the DIP Lender's Charge, the Critical Suppliers' Charge, the Directors' Charge and the KERP Charge, and believes the amounts are reasonable in the circumstances. The Proposed Monitor notes the quantum and priority ranking of all proposed charges are supported by BMO and FCC.

J. PROPOSED MONITOR'S CONCLUSIONS

87. The Proposed Monitor concurs with the Applicants' view that they are insolvent and are facing near term liquidity issues which supports the need to undertake the restructuring as contemplated by these proceedings.

88. The Applicants remain in default of their obligations under the senior debt facilities. These proceedings will afford the Applicants an opportunity to complete a restructuring in a manner that (i) maximizes value for the Applicants' various stakeholders and (ii) best protects the interests of the various stakeholders while the Applicants work to complete a restructuring or a Court approved sale transaction.

89. The Proposed Monitor has concluded that the DIP Facility is required in order for the Applicants to continue to operate on an uninterrupted basis through the projected restructuring period.

90. The DIP Facility represents the necessary financing which will afford the Applicants the ability to operate as a going concern while pursuing the transaction(s) contemplated by the Sales Process. The Proposed Monitor believes that there is no reasonable prospect of obtaining similar interim financing in the circumstances.

91. The Proposed Monitor believes that the timeline and process established with respect to the Sales Process are commercially reasonable given the results of the prior SISP, and allow for a process to be conducted to identify and close a possible sale transaction.

92. The Proposed Monitor is of the view that there is no guarantee that the Sales Process will generate a sale for all or substantially all of the assets or generate an adequate third party investment. Furthermore it is possible there will be assets and/or subsidiaries that are not part of a transaction. In this case, a further restructuring or liquidation plan will be required to deal with the assets as well as related issues such as the health of the remaining herd and environmental issues.

93. The Proposed Monitor concurs with the position of management that the departure of KERP Participants would be detrimental to the Applicants, and could impair the ability to achieve a successful outcome to the CCAA proceedings. The approval of the KERP is expected to provide sufficient incentive for the KERP Participants to remain in their employment for the duration of the restructuring process and support the operations of the Applicants. As previously noted, the terms and quantum of the KERP are considered reasonable in the circumstances by the Proposed Monitor.

94. Further to the Proposed Monitor's review of the proposed form of Initial Order, the Proposed Monitor also supports the Administration Charge, the DIP Lender's Charge, the Critical Suppliers' Charge, the Directors' Charge and the KERP Charge being requested in the Applicants' draft Initial Order as being reasonable and required in the circumstances.

95. The Applicants are also seeking, and the Proposed Monitor supports their request, to continue to operate the Cash Management System in substantially the same manner as

existed prior to the commencement of the CCAA proceedings, should an Initial Order be granted.

96. The Proposed Monitor also supports:

A. The Applicants taking such steps as are required to complete the Sales Process in furtherance of a sale transaction, identification of a new investor and/or the development of a liquidation plan;

B. The amounts and rankings of the Court ordered charges and the financial thresholds proposed in the draft Initial Order, namely:

i. First – Administration Charge (to the maximum of 0.5 million);

ii. Second – DIP Lender's Charge (to the maximum amount of $6.0 million);

iii. Third – Critical Suppliers' Charge (to the maximum amount of $0.4 million);

iv. Fourth – Directors' Charge (to the maximum of $1.0 million); and

v. Fifth – KERP Charge (to the maximum of 0.7 million).

All of which is respectfully submitted at Winnipeg, Manitoba, this 11th day of September, 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, Current Organizational Structure

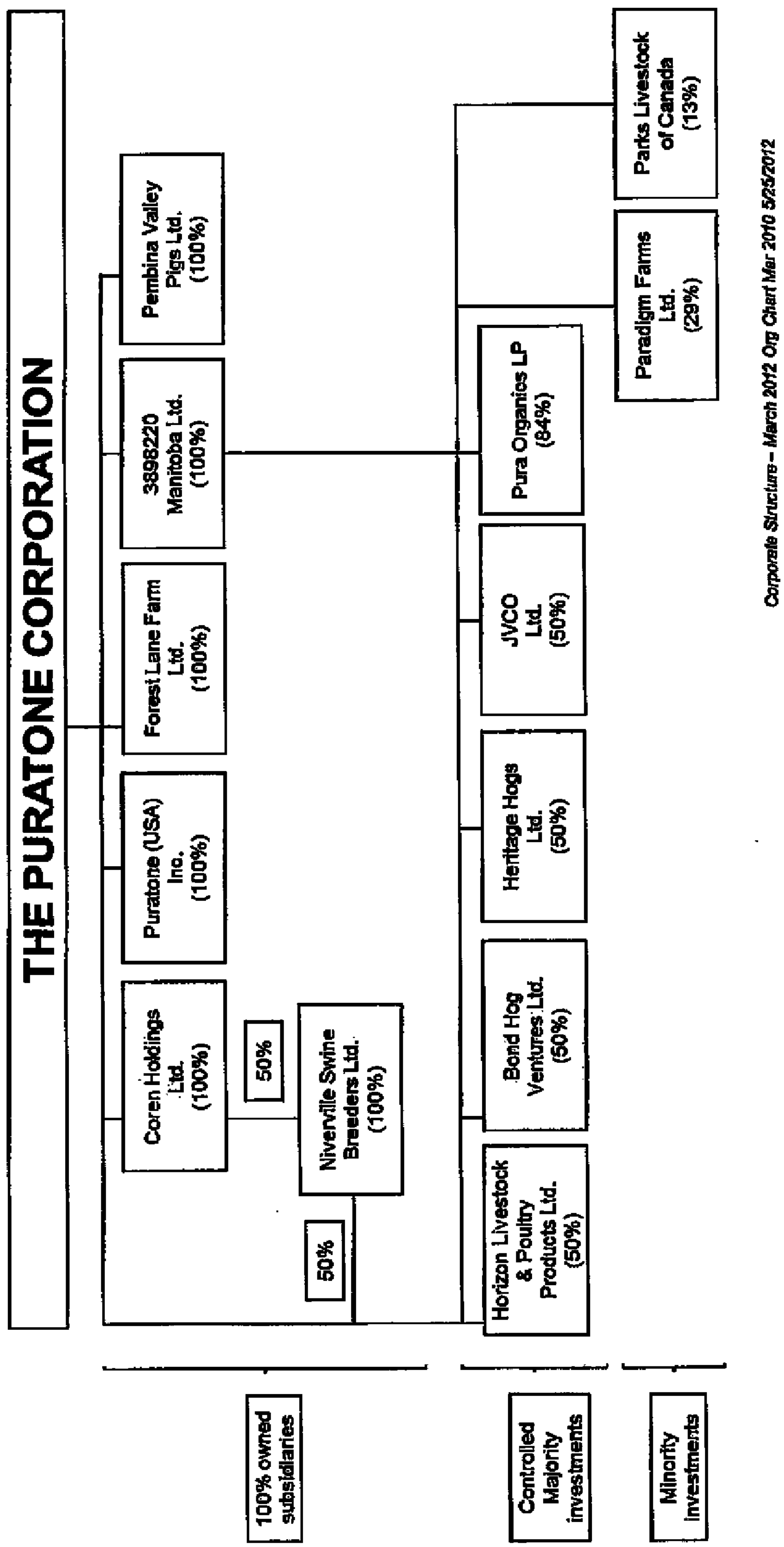

Exhibit B, Real Property Holdings

Name of Operation	Acres	Title #	RM Roll #	Legal Description
Arborg Agri Ventures	80	1754080	112850 in RM of Bifrost	Sly 1320 feet perp of SW 1/4 14-23-1E RM of Bifrost
ASR Pigs	640	#1 - 1754082 #2 - 1754086	Title 1: 35500, 35600, 35800 Title 2: 35700, 35850	Title 1: NW 1/4 13-5-7E, Wly 1320 feet perp of SW 1/4 13-5-7E, NE 1/4 13-5-7E Title 2: SW 1/4 13-5-7E exc Wly 1320 feet perp, SE 1/4 13-5-7E in the RM of LaBroquerie
Birch Bay	80	1754059	210300	Nly 1329 feet perp of NW 1/4 24-5-5E in the RM of Hanover
Bond Hog Ventures	160	1518553		NE 1/4 30-16-3E exc Ely 1320 feet perp in the RM of Rockwood
Dauphin Pura Pork	160	1752708	149500	NW 1/4 23-25-20W RM of Dauphin
Interlake Pura Pork	160	1754090	274200	SE 1/4 23-25-3E RM of Bifrost
Interlake Swine Breeders	674	RM of Fisher: 1787175 1796361. RM of Armstrong: 1796363 1796366 1796369	Title 1: 198900 Title 2: 198800 Title 3: 315800 Title 4: 315900 Title 5: 316500	Title1:SW 1/4 4-22-1W Title2:SE 1/4 4-22-1W Title3:NE 1/4 33-21-1W exc S 1/2 of E 1/2 of legal subdivision 9 Title4:NW 1/4 33-22-1W Title5: E 1/2 of N 1/2 of legal subdivision 12 and all of legal subdivision 13 of section 34-21-1W in RM of Armstrong
Interlake Weanlings Ltd.	720	1754094 1754097 1754098	Title 1: 174250 Title 2: 173600 Title 3: 173200	Title 1:Sly 1320 feet perp SE 1/4 28-21-3E (barn) Title 2: NE 1/4 21-21-3E Title 3: NE 1/4 20-21-3E
Kaleida Pork Ltd.	127	1752772		Sly 850 feet perp of the Wly 1700 feet perp of SW 1/4 16-2-8W RM of Pembina
Niv Swine Breeders 1	80	1718216	4650	wly 1320 feet of SW 12-7-3W exc. Nly 1320 feet RM of Ritchot
Niv Swine Breeders 2	160	1208595		NW 1/4 6-6-4E exc. Ely 66 feet RM of Desalaberry
Niv Swine Breeders 3	80	1525864	3000	N 1/2 of NW 1/4 10-7-3E RM of Ritchot
Paradigm Farms Ltd. Sow	200	1549475 2369092 -home		N 1/2 of NE 1/4 19-15-3E in RM of Rockwood SE 1/4 29-15-3E in RM of Rockwood
Paradigm Farms Ltd. Narcisse	80	1602133	59550	Ely 1320 feet perp of SE 1/4 of 30-19-1E in RM of Armstrong
Paradigm Farms Ltd. 1 & 2 (Finish)	240	1611559 1611560	277350 (#1) 278350 (#2)	#1: SE 1/4 29-25-3E exc Sly 1320 feet perp #2: Nly 1320 feet perp of NE 1/4 32-25-3E in RM of Bifrost
Prairie Grass Pork	80	1752773	219300	E 1/2 of SW 1/4 29-3-3W RM of Rhineland
Puralean Pork Ventures	40	1799610		S 1/2 of W 1/2 of SE 1/4 20-8-4E RM of Ritchot
Boar Station	157	1754062	Title 1: 130600	Title 1: NW 1/4 29-13-3E RM of Rockwood
Emerson Quarantine	20	1754068		Wly 660 feet perp of Sly 1320 feet perp of SW 1/4 2-1-3E in the RM of Franklin
Post Road Ventures	80	1754071	4000	N 1/2 of NW 1/4 6-1-1E exc Sly 180 feet of Wly 363 feet in the RM of Rhineland
Ritchot Swine Breeders	80	1835755	31200	N 1/2 of NW 1/4 30-8-4E exc Wly 100 feet and Ely 66 feet; the Nly 123.5 feet perp of the S 1/2 of said NW 1/4 exc out of parcel 2 the Wly 100 feet and Ely 66 feet; all that portion of said NW 1/4 with limits (see Status of Title) RM of Ritchot
Shelly Hog Farms	400	1754099 1754102 1754107	Title 1 - 210700 Title 2 -210700 Title 3 - 211000 with house	Title 1:Ely 1320 feet perp of NE 1/4 25-5-5E in the RM of Hanover Title 2: NE 1/4 25-5-5E exc. Ely 1320 feet perp Title 3: SE 1/4 25-5-5E exc nly 488 feet of ely 488 feet
Silver Rock Pork	240	1754114 1754115	Title 1 - 128150 Title 2 - 128100	Title 1 Trailers: Sly 1320 feet perp of SE 1/4 6-6-5E Title 2 barn: SE 1/4 6-6-5E exc Sly 1320 feet perp in the RM of Hanover (Pork Place barn and house: Wly 528 feet of NW 1/4 34-7-4E in the RM of Hanover)

Source: Company Records

Name of Operation	Acres	Title #	RM Roll #	Legal Description
Vita Select Genetics	160	1754129	12600 126100	NE 1/4 32-2-7E RM of Stuartburne
Winkler Pura Pork	80	1752774	29150	the Nly 1320 feet perp of SW 1/4 6-4-4W in the RM of Roland
Heritage Hogs Ltd.	160	1659542	22150	NW 1/4 35-7-4E exc the Nly 1323 feet perp in the RM of Hanover
Marquette Feeders Ltd.	80	2321848 (1743899 1743900 1743901)	37800	Barn&Trailer Title:NE 1/4 4-13-2W; (SOLDTitle2:NW 1/4 4-13-2W; Title3:SE 1/4, legal subdivisions 4 & 5 and the east halves of legal subdivisions 3 & 6 all of Section 4-13-2W;Title4: West halves of legal subdivisions 3 & 6 of 4-13-2W In the RM of Woodlands
Arborg Feed Mill		1835751 2069109	55900	Title 2: Lot 1 Plan 43542 in Lots 46 and 47-22-2E in the RM of Bifrost
Winkler Feed Mill		1553944		Lot 1 Plan 33290 in NE 1/4 4-3-4W in the RM of Stanley
Niverville Feed Mill		1800287		Parcel 1 in SE 1/4 31-7-4E in the RM of Hanover
Niverville's Corporate Office		1754063 1754064		Title 1: Lot 2 Block 2 Plan 34434 in SE 1/4 31-7-4E Title 2: Lot 1 Block 2 Plan 34434 in SE 1/4 31-7-4E in the RM of Hanover
Pork Place	64	1754111	21700	Wly 528 feet of NW 1/4 34-7-4E in the RM of Hanover
PFL Skylake	318	1988978 1988979	146500 146700	Title 1: SE 1/4 27-21-1E exc the sly 230 feet of the ely 378.8 feet Title 2: NE 1/4 27-21-1E RM of Armstrong
PFL - Skylake Home	10	2389096	146700	SE 1/4 27-21-1E, all that portion of the sly 660 feet perp which lies between two straight lines drawn east of, parellel with and perpendicularly distant 934 and 1594 ft, respectively, from the eastern limit of Drain Plan 2720 WLTO in the RM of Armstrong
Genetics West	20	2229692		Lot 1 Plan 42020 in NW 1/4 4-2-4W RM of Stanley
Darling Pigs Ltd.	160	2259328		SW 1/4 28-1-7W in the RM of Pembina
K Line Pigs	40	2229689		all that portion of the wly 1360 feet perp of SW 1/4 13-2-4W which lies to the south of a line drawn ely at right angles to the western limit of said quarter section from a point in the same distant thereon 1320 feet from the southern limit RM of Stanley
Killarney Shamrock Genetics (sow)	320	2229694		Parcel 1: SE 1/4 24-3-16W RM of Turtle Mountain
Killarney Shamrock Genetics (Finish)		same title as KSGS		Parcel 2: SE 1/4 25-3-16W RM of Turtle Mountain
Premium Pig Producers	40	2259329		The sly 1320 feet perp of the wly 1320 feet perp of SW 1/4 16-1-7W RM of Pembina
Rosenfeld Piglets	160	2229698 2229700	321800 + 321200	Title 1: The N 1/2 of SE 1/4 22-3-1W Title 2: the W 1/2 of NW 1/4 23-3-1W RM of Rhineland
Southman Pork Ltd.	80	2231170	96700	SE 1/4 8-2-1E exc. nly 1485 feet RM of Montcalm
Border Bacon Growers	160	2229686 (1548910 1765198 1554796 1920661 1901436 1765205 - joint tenants)		NE 1/4 11-1-11W in the RM of Louise
Interlake Weanlings Ltd.	161	2025532 2025527 2025531	Title 1: 174440 Title 2: 174600 Title 3: 174700	Title 1: NE 1/4 29-21-3E Title 2: E 1/2 of SE 1/4 29-21-3E Title 3: W 1/2 of SE 1/4 29-21-3E in the RM of Armstrong
Forest Lane Farm Ltd.	52	2583310		Parcel "A" Plan 52283 WLTO in E 1/2 3-7-8 EPM in the RM of Ste. Anne

Source: Company Records

Exhibit C, Consolidated Financial Statements

THE PURATONE CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS

	Financial Year Ended September 30 2009 (audited)	2010 (audited)	2011 (audited)	10 Months Ended July 28, 2012 (unaudited)
		($ in 000s)		
Current Assets				
Cash	$ 130	$ 3,363	$ 192	$ 267
Accounts receivable	9,232	6,719	5,548	3,847
Inventories	20,190	19,068	20,745	20,741
Prepaid expenses	376	545	606	502
Future income taxes	1,944	519	432	1,357
Subtotal	31,872	30,214	27,523	26,714
Investments	2,585	1,430	1,352	1,249
Other assets	1,093	926	869	824
Breeding stock	9,021	7,156	8,993	8,911
Capital assets	61,324	58,287	60,114	59,602
Future income taxes	2,822	4,041	5,270	3,784
Total Assets	$ 108,717	$ 102,054	$ 104,121	$ 101,084
Current Liabilities				
Bank indebtedness	$ 2,848	$ 356	$ 6,407	$ 13,396
Accounts payable and accrued liabilities	19,203	11,403	9,715	11,679
Dividends payable	177	246	320	320
Current portion of long-term debt				
Expected repayments due within one year	1,535	4,007	2,413	5,766
Expected repayments due after one year	2,739	1,672	2,544	1,158
Current portion of advances from shareholders	30	30	30	30
Future income taxes	-	-	-	13
	26,532	17,714	21,429	32,362
Long-term debt	74,664	73,853	76,203	72,649
Future income taxes	7,161	7,207	6,904	6,277
Non-controlling interest	58	51	27	(20)
Advances from shareholders	1,791	1,790	1,790	1,803
Redeemable and retractable preference shares	6,487	5,032	4,841	4,349
Total Liabilities	116,693	105,647	111,194	117,420
Shareholder's equity				
Share capital	21,546	11,546	11,546	11,546
Contributed surplus	1,543	11,552	11,628	11,898
Deficit (retained earnings)	(31,065)	(26,691)	(30,247)	(39,780)
Total Shareholder's Equity	(7,976)	(3,593)	(7,073)	(16,336)
Total Liabilities and Shareholder's Equity	$ 108,717	$ 102,054	$ 104,121	$ 101,084

Source: Puratone Annual Reports (F09, F10, F11) and 10-month internal financial statements

THE PURATONE CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS

	Financial Year Ended September 30 2009 (audited)	2010 (audited)	2011 (audited)	10 Months Ended July 28, 2012 (unaudited)
		($ in 000s)		
Sales	$ 130,422	$ 97,897	$ 103,068	$ 87,422
Cost of goods sold	139,044	83,090	88,728	81,279
Gross profit	(8,622)	14,807	14,340	6,143
Other income	6,384	6,175	1,106	1,243
Selling, administrative and general expenses	12,350	10,914	11,092	9,416
EBITDA	(14,588)	10,068	4,354	(2,030)
Amortization	5,563	5,571	4,945	3,886
Dividends	64	69	74	-
Interest	3,787	4,017	4,333	3,707
Taxes	(573)	366	(1,418)	(43)
Gain on reorganization of debt	-	2,812	-	-
Gain on sale of interest in Niverville Farms 2000 Ltd.	-	1,510	-	-
Earnings (loss) before other items	(23,429)	4,367	(3,580)	(9,580)
Non-controlling interest	34	7	24	47
Net (loss) income	(23,395)	4,374	(3,556)	(9,533)
Deficit beginning of year	(7,670)	(31,065)	(26,691)	(30,247)
Deficit end of year	$ (31,065)	$ (26,691)	$ (30,247)	$ (39,780)

Source: Puratone Annual Reports (F09, F10, F11) and 10-month internal financial statements

Exhibit D – The Cash Flow Statement

Proposed Monitor's Report on Cash Flow Statement

Deloitte.

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 11, 2012

THE QUEEN'S BENCH
WINNIEPG CENTRE

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

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

MONITOR'S REPORT ON DEBTOR'S CASH FLOW STATEMENT

The attached statement of projected cash-flow attached as appendix "A" of this report (the "**Cash Flow Statement**") of the applicant for the period of September 3, 2012, to December 2, 2012, has been prepared by the management of the Company for the purpose of the Initial Application, using the assumptions set out in the Notes and Summary of Assumptions set out in Notes 1 to 16 of the Cash Flow Statement (the "**Notes and Assumptions**").

Our review consisted of inquiries, analytical procedures and discussions related to information supplied to us by certain of the management and employees of the Company. Since the Notes and Assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Statement. We have also reviewed the support provided by management of the company for the Notes and Assumptions, and the preparation and presentation of the Cash Flow Statement.

Based on our 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 Cash Flow Statement;

b) As at the date of this report, the Notes and Assumptions developed by management are not suitably supported and consistent with the plans of the Company or do not provide a reasonable basis for the Cash Flow Statement, given the Notes and Assumptions; or

c) The Cash Flow Statement does not reflect the Notes and Assumptions.

Since the Cash Flow Statement is 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, we express no assurance as to whether the Cash Flow Statement will be achieved. We express no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon by us in preparing this report.

The Cash Flow Statement has been prepared solely for the purpose of reflecting management's best estimate of the cash flow of the Applicants in its CCAA proceedings, and readers are cautioned that it may not be appropriate for other purposes.

Dated at Winnipeg, this 11 day of September, 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.

Steven Peleck, CA•CIRP
Senior Vice-President

The Puratone Corporation
13 Week Cash Flow Projection
September 3 through December 2, 2012

Week Start Week End	Notes	Week 1 3-Sep-12 9-Sep-12	Week 2 10-Sep-12 16-Sep-12	Week 3 17-Sep-12 23-Sep-12	Week 4 24-Sep-12 30-Sep-12	Week 5 1-Oct-12 7-Oct-12	Week 6 8-Oct-12 14-Oct-12	Week 7 15-Oct-12 21-Oct-12	Week 8 22-Oct-12 28-Oct-12	Week 9 29-Oct-12 4-Nov-12	Week 10 5-Nov-12 11-Nov-12	Week 11 12-Nov-12 18-Nov-12	Week 12 19-Nov-12 25-Nov-12	Week 13 26-Nov-12 2-Dec-12	Week 1 - 13 Cumulative Totals
Assumptions															
Market Hogs - Hedged															
Shipment Volume	1	500	500	500	500	-	-	-	-	-	-	-	-	-	2,000
Price (CAD)	1	161.50	161.50	161.50	161.50		-	-	-	-	-	-	-	-	
Market Hogs - Non-hedged															
Shipment Volume	2	8,052	7,173	7,606	7,238	7,548	7,131	6,339	8,278	8,310	5,187	7,528	6,962	7,413	97,793
Price (CAD)	3	157.98	159.70	158.00	152.14	149.12	147.66	146.02	148.05	146.91	144.67	141.95	136.99	135.56	
Feeders															
Shipment Volume	4	2,500	1,800	3,800	-	2,000	1,000	1,000	1,000	-	1,000	8,500	7,300	800	26,800
Price	4	18	18	18	18	18	18	18	18	18	18	58	58	58	
Iso-weanlings															
Shipment Volume	5	-	-	1,500	-	-	1,500	-	-	1,500	-	-	-	-	4,500
Price (USD)	6	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	
Exchange Rate															
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															
Sales															
Market hogs - Hedged	8	89,000	81,000	81,000	81,000	81,000	-	-	-	-	-	-	-	-	413,000
Market hogs - Non-hedged	8	1,176,000	1,272,000	1,149,000	1,171,000	1,101,000	1,125,000	1,053,000	1,218,000	1,226,000	1,221,000	897,000	1,068,000	970,000	14,643,000
Pricing contingency		(126,400)	(136,300)	(122,700)	(125,200)	(118,200)	(112,500)	(105,300)	(121,800)	(122,600)	(122,100)	(89,700)	(106,800)	(97,000)	(1,505,600)
Premium ($16/hog RWA)		36,200	31,992	29,805	28,084	29,400	30,456	29,865	29,440	29,440	28,980	30,992	27,952	23,852	382,168
Premium ($5 hog HyLife)		17,706	14,925	14,805	13,670	12,355	12,875	14,295	14,100	13,790	13,505	12,000	20,000	16,115	189,050
Subtotal market hogs		1,190,506	1,254,577	1,147,910	1,166,564	1,105,555	1,055,831	991,860	1,139,740	1,146,630	1,141,385	850,292	1,009,152	911,667	14,121,638
Feeders		9,900	45,000	34,200	68,400	-	36,000	18,000	18,000	18,000	-	18,000	377,000	423,400	1,065,900
Iso-weanlings		9,750	-	-	9,750	-	-	9,750	-	-	9,750	-	-	-	39,000
Gilt sales					47,000	-	-	-	-	47,000	-	-	-	-	94,000
Cull sales		70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,001	70,000	70,000	70,000	910,001
Feed	9	243,750	243,750	243,750	331,750	243,750	243,750	243,750	331,750	243,750	243,750	243,750	243,750	243,750	3,344,750
Other															-
Agri-stability	10	-	-	-	-	-	-	-	-						-
Payroll recovery		74,600	-	74,600	-	74,600	-	74,600	-	74,600	-	74,600	-	74,600	522,200
Total Receipts		1,598,505	1,823,327	1,570,460	1,693,464	1,493,905	1,405,581	1,407,960	1,559,490	1,599,980	1,464,886	1,258,642	1,699,902	1,723,417	20,097,489
Disbursements															
Operations															
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
Ingredient cost contingency		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	137,214	163,750	33,750	852,591	137,214	163,750	33,750	716,750	442,307	163,750	33,750	163,750	558,250	3,600,575
Payroll	14	20,900	580,000	20,900	580,000	20,900	580,000	20,900	580,000	20,900	580,000	20,900	580,000	20,900	3,626,300
Restructuring															-
Professional fees	15	150,000	150,000	150,000	150,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	1,050,000
KERP		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Financing															
Interest & principal	16	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DIP charges		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Disbursements		1,831,514	2,397,150	1,728,050	3,085,991	1,731,514	2,297,150	1,628,050	2,850,150	2,036,807	2,297,150	1,628,050	2,417,150	2,152,650	28,081,075
Net Cash Flows		(233,009)	(773,823)	(157,590)	(1,392,537)	(237,608)	(891,569)	(220,090)	(1,290,660)	(436,627)	(832,284)	(371,408)	(717,248)	(429,133)	(7,983,586)
Opening Cash		(12,893,087)	(13,126,096)	(13,899,919)	(14,057,509)	(15,450,046)	(15,687,654)	(16,579,223)	(16,799,313)	(18,089,973)	(18,526,600)	(19,358,884)	(19,730,292)	(20,447,540)	(12,893,087)
Net Cash Flows		(233,009)	(773,823)	(157,590)	(1,392,537)	(237,608)	(891,569)	(220,090)	(1,290,660)	(436,627)	(832,284)	(371,408)	(717,248)	(429,133)	(7,983,586)
Closing Cash (Indebtedness)		(13,126,096)	(13,899,919)	(14,057,509)	(15,450,046)	(15,687,654)	(16,579,223)	(16,799,313)	(18,089,973)	(18,526,600)	(19,358,884)	(19,730,292)	(20,447,540)	(20,876,673)	(20,876,673)
Operating Facility		(13,000,000)	(13,000,000)	(13,000,000)	(13,000,000)	(13,000,000)	(13,000,000)	(13,000,000)	(13,000,000)	(13,000,000)	(13,000,000)	(13,000,000)	(13,000,000)	(13,000,000)	(13,000,000)
Temporary Bulge		(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
Total Operating Facility		(14,000,000)	(14,000,000)	(14,000,000)	(14,000,000)	(14,000,000)	(14,000,000)	(14,000,000)	(14,000,000)	(14,000,000)	(14,000,000)	(14,000,000)	(14,000,000)	(14,000,000)	(14,000,000)
Excess Over Op. Facility		-	-	(57,509)	(1,450,046)	(1,687,654)	(2,579,223)	(2,799,313)	(4,089,973)	(4,526,600)	(5,358,884)	(5,730,292)	(6,447,540)	(6,876,673)	(6,876,673)

Notes and Summary of Assumptions

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

Exhibit E – Management's Representation Letter on the Cash Flow Statement

The Puratone Corporation
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puratone
Leading all ways

September 11, 2012

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

Attention: Mr. Steve Peleck
Senior Vice-President

Dear Sirs:

Re: Proceedings under the *Companies' Creditors Arrangement Act* ("CCAA")
Responsibilities/Obligations and Disclosure with Respect to Cash Flow Projections

In connection with the application by The Puratone Corporation, Niverville Swine Breeders Ltd., and Pembina Valley Pigs Ltd. (collectively "Puratone" or the "Company") for the commencement of proceedings under the CCAA in respect of the Company, the management of Puratone ("**Management**") has prepared the attached cash flow forecast (the "**Cash Flow Statement**") and the assumptions on which the Cash Flow Statement is based.

Puratone confirms that:

1. The Cash Flow Statement and the underlying assumptions are the responsibility of the Company;

2. All material information relevant to the Cash Flow Statement and to the underlying assumptions has been made available to Deloitte & Touche Inc. in its capacity as Proposed Monitor; and

3. Management has taken all actions that it considers necessary to ensure:

    a. That individual assumptions underlying the Cash Flow Statement are appropriate in the circumstances; and

    b. That the individual assumptions underlying the Cash Flow Statement, taken as a whole, are appropriate in the circumstances.

Yours Truly,

THE PURATONE CORPORATION

Larry Johnson
Vice-President and CFO

FeedAssure
100% post consumer waste