

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

NINTH REPORT OF THE MONITOR

THOMPSON DORFMAN SWEATMAN LLP
Barristers & Solicitors
2200 - 201 Portage Avenue
Winnipeg MB R3B 3L3

Donald G. Douglas and Ross A. McFadyen
Telephone Nos. 934-2466 (DGD) and 934-2378 (RAM)
Facsimile Nos. 934-0560 (DGD) and 934-0538 (RAM)
Email dgd@tdslaw.com and ram@tdslaw.com
Matter No. 0112623 DGD/RAM

**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

**NINTH REPORT OF THE MONITOR
DATED OCTOBER 22, 2013**

INTRODUCTION

1. On September 12, 2012, 4444043 Manitoba Ltd., formerly called The Puratone Corporation (“**TPC**”), 0263672 Manitoba Ltd., formerly called Niverville Swine Breeders Ltd., and 5561630 Manitoba Ltd., formerly called 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 Restructuring Inc.

(“**Deloitte**”), formerly Deloitte & Touche Inc., 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.
3. On October 30, 2012, the Court extended the stay of proceedings until November 12, 2012.
4. On November 8, 2012, the Court extended the stay of proceedings until January 15, 2013.
5. On January 4, 2013, the Court extended the stay of proceedings until March 15, 2013.
6. On March 12, 2013, the Court further extended the stay of proceedings until July 28, 2013 (collectively the “**Stay Period**”).
7. On or prior to July 28, 2013, no further extension of the Stay Period was requested and accordingly the Stay Period expired.
8. The Monitor has provided the Court with the following reports:
 - i. The 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;
 - ii. The First Report of the Monitor dated October 5, 2012 (the “**First Report**”) in connection with the Applicants’ motion to extend the Stay Period;

- iii. The Second Report of the Monitor dated October 25, 2012 (the “**Second Report**”) in connection with the Applicants’ motion to extend the Stay Period;
- iv. The Third Report of the Monitor dated November 5, 2012 (the “**Third Report**”) in connection with the Applicants’ motion to i) further extend the Stay Period; and ii) seek approval for the sale transaction (the “**Transaction**”) contemplated by the Asset Purchase Agreement (the “**APA**”) between the Applicants and Maple Leaf Foods Inc. (the “**Purchaser**”), and agreed to by the Monitor;
- v. The Fourth Report of the Monitor dated November 14, 2012 (the “**Fourth Report**”) in connection with the Applicants’ motion to allow the transfer of their shares and limited partnership units in the Partially Owned Subsidiaries (as defined in the APA) and the assignment of certain agreements between the Partially Owned Subsidiaries and/or their shareholders/unit holders to the Purchaser on closing;
- vi. The Fifth Report of the Monitor dated November 20, 2012 (the “**Fifth Report**”) in connection with the Applicants’ motion to assign their rights and obligations under certain Assumed Contracts (as defined in the APA) to the Purchaser on closing, where the consent of the relevant counterparty was required for the assignment and such counterparty had not expressly agreed to an assignment of the Applicants’ rights and obligations to the Purchaser;
- vii. The Sixth Report of the Monitor dated December 27, 2012 (the “**Sixth Report**”) in connection with the Applicants’ motion to extend the

Stay Period and expand the powers and duties of the Monitor to permit it to act as agent for each of the Applicants in order to discharge certain of their obligations under the APA, and to make an application to the Court for a distribution order;

- viii. The Seventh Report of the Monitor dated March 8, 2013 (the “**Seventh Report**”) in connection with the Applicants’ motion to extend the Stay Period and the Monitor’s motion for an order approving a proposed distribution (the “**Distribution Order**”); and
 - ix. The Eighth Report of the Monitor dated April 4, 2013 (the “**Eighth Report**”) in connection with the claims asserted by Interlake Turkey Breeders Ltd. and others (collectively “**ITB Claimants**”) wherein the claimants state that they each delivered feed grains to the Applicants shortly before the commencement of the CCAA proceedings for which payment was not received.
9. Copies of the Initial Order, the Pre-Filing Report, the First, Second, Third, Fourth, Fifth, Sixth, Seventh and Eighth Report(s), certain 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.

PURPOSE

10. The purpose of this ninth report of the Monitor (the “**Ninth Report**”) is to provide the Court with information with respect to the following:
- a) An update on the remaining matters in these CCAA proceedings, namely i) the status of the APA with the Purchaser, (ii) the status of

- the remaining Excluded Assets, (iii) the status of the Interim Distribution, (iv) the status of priority charges granted under the Initial Order, (v) the status of the claims of the ITB Claimants and (vi) the status of potential government priority claims;
- b) The Monitor's motion for an Order discharging all of the priority charges granted under the Initial Order with the exception of the Administrative Charge;
 - c) The Monitor's motion for a second interim distribution to each of Bank of Montreal ("**BMO**"), Farm Credit Canada ("**FCC**"), and Manitoba Agricultural Services Corporation ("**MASC**") from the funds held by the Monitor;
 - d) The Monitor's Statement of Receipts and Disbursements for the period between December 14, 2012 and October 16, 2013;
 - e) The Monitor's recommendation with respect to the proposed second interim distribution to BMO, FCC and MASC; and
 - f) The Monitor's request for approval of the Seventh and Eighth Reports of the Monitor.

TERMS OF REFERENCE

11. In preparing this Ninth Report, the Monitor has relied upon unaudited interim financial information, the Applicants' books and records, the Affidavits of Raymond Hildebrand sworn on September 11, October 4, October 24, November 1 and November 6, 2012, the Affidavits of Larry Johnson sworn on November 14, November 16, November 20, 2012, January 2, 2013 and March 6, 2013, the Affidavit of John Sigurdson affirmed March 5, 2013 (the "Sigurdson Affidavit") and discussions with the Applicants' management ("**Management**") and the Applicants' financial and legal advisors.

12. 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 Ninth 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 Ninth Report.
13. 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 Ninth Report. Any use which any party makes of this Ninth Report, or any reliance or decision to be made based on this Ninth Report, is the sole responsibility of such party.
14. Unless otherwise stated, all monetary amounts contained in this Ninth Report are expressed in Canadian dollars.
15. Capitalized terms used in this Ninth Report but not defined herein are as defined in the Pre-Filing Report, the First Report, the Second Report, the Third Report, the Fourth Report, the Fifth Report, the Sixth Report, the Seventh Report, the Eighth Report and the APA, as applicable.

APA WITH MAPLE LEAF FOODS INC.

16. On November 8, 2012, the Court issued an order approving the sale transaction between the Applicants and the Purchaser in accordance with the terms of the APA and the First Amendment to the Asset Purchase Agreement Dated November 1, 2012 (collectively the “**Amended APA**”). The transaction closed with an effective date of December 14, 2012.
17. In accordance with the terms of the Amended APA, \$1,573,765 was paid by the Purchaser to the Monitor to be held in escrow pending resolution of the MAFR Disputed Funding. Section 3.12(a)(i) of the Amended APA outlined the condition for the release of the MAFR Escrow Fund:

“If the Monitor shall have been notified by the Purchaser that the Purchaser has received assurances from MAFR that all or a portion of the MAFR Replacement Funding is available to the Purchaser, the Monitor shall forthwith deliver the entire amount of the MAFR Escrow Fund to the Vendors or in the event that only a portion of the MAFR Replacement Funding is available to the Purchaser, an amount equivalent to that portion which is available.”

On August 1, 2013, the Purchaser notified the Monitor that it had received assurances from MAFR that all of the MAFR Replacement Funding would be available to the Purchaser. A copy of the letter from the Purchaser is attached as Exhibit “A”.

18. Pursuant to an agreement between BMO and FCC, FCC has priority to the entire MAFR Escrow Fund being held by the Monitor.

EXCLUDED ASSETS

19. Since the closing of the APA on December 14, 2012, the Monitor has continued to realize on all of the Excluded Assets detailed in section 2.4 of the APA which primarily comprise accounts receivable, Agristability claims, GST claims, certain real property (more specifically the parcel identified as Birch Bay Pork), Cooperative equity, and other sundry items.
20. All of the former bank accounts of the Applicants have been closed and any residual funds were transferred to the Monitor.
21. As at the date of the Ninth Report, the following summarizes the remaining assets to be realized upon:
 - a) Accounts receivable – approximately \$300,000 remains outstanding and several accounts are being disputed. The Monitor continues its collection efforts and its legal counsel has issued formal demands and statements of claim on certain accounts.
 - b) Agristability – returns have been filed and a refund of approximately \$2.6 million has been claimed, however, the ultimate assessed value may vary from the claimed amount. On October 7, 2013, the Monitor received a 2012 Agristability Calculation of Program Benefits Notice (“**CPB Notice**”) for 5561630 Manitoba Ltd., formerly Pembina Valley Pigs Ltd. The CPB Notice indicted that the claim filed in the amount of \$2.4 million had been assessed by Agriculture and Agri-Food Canada (“AAFC”) and had been adjusted to Nil. The Monitor is currently in the process of reviewing the assessment and intends to request an adjustment to the CPB Notice calculation within the 18

month adjustment period. To date, no CPB Notices have been received from AAFC for 4444043 Manitoba Ltd., formerly The Puratone Corporation (“TPC”) or 0263672 Manitoba Ltd., formerly Niverville Swine Breeders Ltd.

- c) Birch Bay Pork – both the residence and the farmland have been sold. Once Manitoba Land Titles Office is able to issue title to the property in the name of the purchasers, the sale proceeds will be released from trust. It is estimated that the net proceeds will total approximately \$193,000 and will be payable to FCC pursuant to the security registrations.
- d) Co-Op Equity – the Applicants had various equity interests in Co-Operatives. Certain interests have been collected. The outstanding amount that the Monitor continues to pursue totals approximately \$41,000.
- e) Other Sundry Items – the Monitor continues to deal with other matters such as a Workers Compensation Board audit and the filing of corporate tax returns which may result in additional receipts, although the amounts are not expected to be material.

FIRST INTERIM DISTRIBUTION

22. On March 12, 2013, subject to the Monitor receiving affidavits confirming the indebtedness owing to each of BMO, FCC and MASC by the Applicants, the Court ordered that the First Interim Distribution be approved as follows:

- a) The sum of approximately \$4.25 million to BMO in order to fully retire the DIP Loan, with the exact figure to be determined upon the final payout date;
- b) The sum of \$17,726,173 to BMO;
- c) The sum of \$15,817,303 to FCC; and
- d) The sum of \$1,041,524 to MASC.

23. Subsequent to the March 12, 2013 order, BMO and FCC entered into discussions regarding the Monitor's allocation of certain receipts and disbursements during the CCAA period and the resultant impact that such allocations had on the sharing of the DIP facility.

24. The Monitor provided details to both BMO and FCC of the categories of receipts and disbursements since the commencement of the CCAA filing on September 12, 2012. After discussions amongst BMO, FCC and the Monitor regarding the post CCAA transactions, an amended allocation of funds to be distributed was agreed upon.

25. On May 15, 2013 (BMO) and May 16, 2013 (FCC), both BMO and FCC executed Direction to Pay notices agreeing to amend their respective distributions by \$297,039, such that the adjusted payments were as follows:

- a) The sum of \$18,023,212 to BMO; and
- b) The sum of \$15,520,264 to FCC.

The distribution to MASC remained unchanged.

26. As the Monitor was in receipt of the necessary affidavits from BMO, FCC and MASC, the following payments were made in accordance with the Distribution Order and the Direction to Pay notices agreed to by BMO and FCC:

- a) May 17, 2013 – the sum of \$18,023,212 to BMO;
- b) May 17, 2013 – the sum of \$15,520,264 to FCC; and
- c) May 31, 2013 – the sum of \$1,041,524 to MASC.

27. On May 31, 2013 the DIP facility was repaid in full to BMO in the amount of \$4,036,111.

PRIORITY CHARGES UNDER THE INITIAL ORDER

28. The priority of the charges created by the Initial Order, and as amended by the Court Order dated November 8, 2012, are as follows:

- a) First – Administration Charge (to the maximum of \$500,000);
- b) Second – DIP Lender’s Charge (to the maximum of \$11,500,000);
- c) Third – Critical Suppliers’ Charge (to the maximum of \$400,000);
- d) Fourth – Directors’ Charge (to the maximum of \$1,000,000); and
- e) Fifth – KERP Charge (to the maximum of \$700,000).

29. The Monitor’s comments on the outstanding balances under these Charges are as follows:

- a) The Monitor has continued to make payments for professional costs from the sale proceeds realized from the APA and realizations from the excluded assets, and the present outstanding amount pursuant to the Administration Charge would likely not exceed \$50,000. The Monitor is of the view that the Administration Charge should stay in place until completion of the CCAA proceedings;

- b) The DIP facility was retired in full on May 31, 2013 in the amount of approximately \$4.0 million;
- c) The Monitor is not aware of any balance outstanding that would be subject to a claim under the Critical Suppliers' Charge;
- d) The Monitor is not aware of any balance claimed by the Directors pursuant to the Directors' Charge at present; and
- e) The Monitor is not aware of any amounts outstanding that would be subject to a claim under the KERP charge. All KERP amounts were paid immediately after closing in December 2012 from the available DIP Facility.

30. The officers and directors of the Applicants issued their formal resignation notices on July 29, 2013, the day after the Stay Period expired.

31. Accordingly, the Monitor believes that all priority charges granted under the Initial Order, with the exception of the Administrative Charge, should be discharged.

INTERLAKE TURKEY BREEDERS CLAIM

32. On March 8, 2013, the Sigurdson Affidavit was filed wherein it was alleged that the ITB Claimants each delivered feed grains to the Applicants between August 29, 2012 and September 11, 2012, for which no payment was received. The Affidavit further requested a lifting of the stay of proceedings so that the ITB Claimants could initiate an action against the Applicants and the directors and/or officers of the Applicants.

33. On March 12, 2013, the ITB Claimants filed certain motion materials requesting that \$903,205 of the sale proceeds received by the Monitor pursuant to the APA, or otherwise, be imposed with a trust in favour of the ITB

Claimants or be paid into Court or held with counsel for the Monitor, and that the Stay Period be lifted.

34. At the March 12, 2013 hearing, the Court reserved any decision on the ITB Claimants' motion until a future date.

35. On July 8, 2013, a decision was rendered by the Court and an Order was made (the "**July 8, 2013 Order**") for the following:

a) Out of the general holdback monies, the sum of \$903,250 and any interest thereon since March 12, 2013 be segregated in an interest bearing account designated as the ITB Claim Monies and that such funds not be paid out without further order of the Court;

b) Leave was given to the ITB Claimants to commence an action against the Applicants and the directors and officers.

The decision further noted that in the event that the claim of the ITB Claimants is unsuccessful, the delays would result in the untimely receipt of the holdback monies by the secured creditors. Accordingly, the Court required that the ITB Claimants each file an undertaking agreeing to pay their pro-rata share of any damages sustained by BMO or FCC in the event that their claim for a constructive trust against the sale proceeds failed.

36. Pursuant to the July 8, 2013 Order, the Monitor has opened a separate trust account ("**Trust Account**") and placed the sum of \$903,250, plus interest earned since March 12, 2013, into the Trust Account.

37. On July 29, 2013, both BMO and FCC filed notices of appeal with the respect to the July 8, 2013 Order. The Monitor understands that the hearing date for

the appeal was originally scheduled for October 25, 2013, but due to a delay in filing certain motion materials by the ITB Claimants, the hearing has been rescheduled to November 27, 2013.

GOVERNMENT CLAIMS

38. Subsequent to the commencement of the CCAA proceedings on September 12, 2012, the Applicants and the Monitor have made all statutory government remittances.

39. Post CCAA filing, the Applicants have been subject to three external audits relating to the period of time prior to the commencement of the CCAA proceeding: 1) Health and Education Tax Levy (“HET”), Retail Sales Tax (“RST”), and Goods and Services Tax (“GST”). The following is the status of the respective audits:

- a) HET – On June 18, 2013, the auditor confirmed via e-mail that the balance owing pursuant to the HET audit will be NIL. The Monitor has yet to receive the final audit report.
- b) RST – On October 6, 2013, the auditor sent via e-mail an Audit Findings Letter which detailed that their audit for the period September 1, 2006 to December 31, 2012 was complete. The estimated liability is \$223,503 and is comprised of \$142,392 in unremitted taxes and \$81,111 in interest and penalties. The Monitor has yet to receive the final Notice of Assessment at the time of writing.
- c) GST – On June 20, 2013, the auditor provided a Proposed Statement of Audit Adjustments for the period October 1, 2010 to September 30,

2012. The proposed re-assessment was for \$138,167 and relates entirely to input tax credits claimed by the Applicants prior to September 12, 2012 and initially allowed and refunded by Canada Revenue Agency (“CRA”). On June 26, 2013, the Monitor responded to CRA indicating that the re-assessment appeared to be a pre-filing debt of the Applicants and, accordingly, would have no priority rights under the CCAA. On July 16, 2013, the Monitor received further correspondence from CRA indicating that their position remained unchanged and that a Notice of Reassessment would be forwarded under separate cover. No Notice of Reassessment has been received to date.

40. Representatives for these possible claimants were served in connection with the motion for the Approval and Vesting Order and the First Interim Distribution Order and did not appear at the relevant hearings or in any manner assert to the Monitor that they had a priority claim as against any of the assets of the Applicants. Furthermore, the representatives for these possible claimants are also being served in connection with the motion for the present Second Interim Distribution Order.

41. The Monitor has further discussed the government claims for RST and GST with its legal counsel, and that in the view of its legal counsel, none of these claims would constitute a priority as against BMO, FCC, or MASC. Accordingly, on October 9, 2013, the Monitor sent further correspondence advising of this position to both Manitoba Finance (RST) and CRA (GST).

PROPOSED SECOND INTERIM DISTRIBUTION

42. The calculation of the proposed \$5,494,312 second interim distribution is

attached as Exhibit “B” and is summarized as follows:

- a) The sum of \$2,181,548 to BMO;
- b) The sum of \$3,201,946 to FCC; and
- c) The sum of \$110,818 to MASC.

The payment to FCC includes the release of the MAFR Escrow Fund in the amount of \$1,587,398 (inclusive of interest of \$13,633).

- 43. While the APA has been completed and the MAFR Disputed Funding has been resolved, the Monitor is of the view that a general holdback of approximately \$0.5 million (the “**General Holdback**”) should be held pending the resolution of the claims asserted by the ITB Claimants and the realization of the remaining Excluded Assets. The General Holdback is in addition to the court ordered holdback on behalf of the ITB Claimants in the amount of approximately \$0.9 million.
- 44. The Monitor is of the view that the General Holdback will be sufficient to deal with future matters until a final distribution.
- 45. Thompson Dorfman Sweatman LLP (“**TDS**”) has provided its opinion (found at Exhibit A to the Seventh Report) that the proposed distribution by the Monitor is in accordance with the security held by BMO, FCC, and MASC, subject to the agreement by BMO to acknowledge the priority of MASC with respect to the TPC head office properties.
- 46. As noted in the Monitor’s Seventh Report, the amount payable to each of BMO, FCC and MASC is limited to amounts owing for principal, interest and costs due and owing pursuant to each party’s credit agreement or security. Each of BMO, FCC, and MASC will incur significant shortfalls on their

outstanding indebtedness.

STATEMENT OF RECEIPTS AND DISBURSEMENTS

47. Attached as Exhibit “C” are the Monitor’s Statement of Receipts and Disbursements for the period between December 14, 2012 and October 16, 2013.

MONITOR’S CONCLUSIONS AND RECOMMENDATIONS

48. For the reasons set out above, the Monitor recommends that from the monies collected from the sale of the assets under the APA, the realization of Excluded Assets, and the collection of accounts receivable or otherwise that, in accordance with the Court Order dated January 4, 2013, the Monitor pay to BMO \$2,181,548 in accordance with amounts owing pursuant to the BMO Facility.

49. The Monitor further recommends that \$3,201,946 be paid to FCC from the monies collected from the sale of the assets under the APA and the realization of Excluded Assets, in accordance with amounts owing pursuant to the FCC Facility.

50. The Monitor further recommends that \$110,818 be paid to MASC from the monies collected from the sale of the assets under the APA in accordance with amounts owing pursuant to the MASC Facility.

51. The Monitor recommends that once the sale proceeds are received from the sale of the Birch Bay properties in the amount of approximately \$193,000, the monies be distributed to FCC.

52. The Monitor recommends that all priority charges granted under the Initial

Order, with the exception of the Administrative Charge, be discharged.

53. In addition, the Monitor requests that the Seventh and Eighth Reports of the Monitor be approved.

All of which is respectfully submitted at Winnipeg, Manitoba, this 22nd day of October, 2013.

DELOITTE RESTRUCTURING INC.

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

A handwritten signature in dark ink, appearing to read "Steven Peleck". The signature is written in a cursive, flowing style.

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

Exhibit A – Letter from Maple Leaf Foods Inc. Re: MAFR Funding

MAPLE LEAF FOODS

August 1, 2013

The Puratone Corporation,
Pembina Valley Pigs Ltd, and
Niverville Swine Breeders Ltd.
P.O. Box 460
Niverville, MB R0A 1E0
Attention: The President

Deloitte & Touche Inc.
360 Main Street, Suite 2300
Winnipeg, MB R3G 3Z3
Attention: Steve Peleck

Dear Sirs:

In accordance with the asset purchase agreement (the "APA") dated November 1, 2012 between The Puratone Corporation, Pembina Valley Pigs Ltd., and Niverville Swine Breeders Ltd. (collectively the "Vendors"), Maple Leaf Foods Inc., ("MLF") and Deloitte & Touche Inc. (the "Monitor"), and in accordance with the First Amendment to the APA (the "First Amendment") dated December 14, 2012, we are writing to notify the Monitor and the Vendors that MLF has received assurances from MAFR that all of the MAFR Replacement Funding will be available to MLF. Unless otherwise defined, all capitalized terms shall have the meaning ascribed thereto in the APA.

In February 2013, MLF applied for the MAFR Replacement Funding proposing a project using the Basswood technology. In April 2013, MLF was informed that the application was rejected. MLF reapplied for funding using an alternative technology and has received confirmation that the funding has been approved. Copies of the approvals are attached.

Accordingly, under Section 3.12(b) of the First Amendment, the MAFR Escrow Fund may be disbursed as set forth in Section 3.12(a)(i) of the First Amendment.

Yours very truly,

Rocco Cappuccitti
Senior Vice President
and Corporate Secretary

cc: Donald Douglas, Thompson Dorfman Sweatman LLP
Norman Snyder/David Jackson, Taylor McCaffrey LLP
Michael Innes, Osler, Hoskin & Harcourt LLP

**passionate people;
passionate about food**



**Agriculture, Food
and Rural Initiatives**

Agri-Environment Knowledge Centre
Box 1149, Carman, Manitoba, Canada R0G 0J0
Fax 204-745-5690
www.manitoba.ca

June 21, 2013

**Maple Leaf Agri-Farms -- ASR #1
246 Main St., Box 290
Landmark, Mb R0A 0X0**

**RE: Manure Management Financial Assistance Program (the "Program")
Client No: 12.10
Project No: MMFAP-03-17**

Thank you for applying for funding under the Manure Management Financial Assistance Program.

To ensure that the maximum environmental benefits and the overall objectives of the Program are achieved, each application was rated and ranked based on its individual merit. Applications were rated and ranked according to three main criteria: the potential environmental benefits, Provincial program priorities and the thoroughness of the project design and planning. Please refer to the Project Proposal Rating Summary enclosed for more details on this process.

We are pleased to advise that the project, (BMP Category **Solid-Liquid Separation of Manure, Code M-301, M-302**) as outlined in your application (the "Project") has been **APPROVED** for financial assistance of **75%** of eligible costs of the Project, to a maximum of **\$297,000.00**. This letter is your authorization to commence the Project, subject to the following terms and conditions:

1. All project expenses must be submitted by **February 15, 2014**;
2. The Project must be completed by **March 31, 2014**;
3. The Project must be completed as specified in your application and must be consistent with the criteria stated in the Program BMP Catalogue;
4. The Project must adhere to the following funding conditions:
 - (a) **Solid liquid separator equipment and infrastructure is approved for the purposes of concentrating phosphorus and making it easier to transport manure longer distances.**
 - (b) **Reverse Osmosis systems are not eligible.**
 - (c) **Manure drying equipment is not eligible.**
 - (d) **Any manure additives or feedstuffs to supplement manure are not eligible.**
 - (e) **Funding is intended for the current size of the operation. Funding is not intended to facilitate an expansion of the operation.**
 - (f) **The project completion will need to be verified by final inspection.**
5. The Project has been reviewed to ensure it satisfies the Province of Manitoba's obligation under the Canadian Environmental Assessment Act (CEAA). Based upon the Project description provided in your application, an environmental assessment and mitigation will be required as a condition for project funding;
6. You must obtain all required permits and licenses necessary for the Project;
7. Upon reasonable notice, at any time after approval, Manitoba may evaluate or verify the Project until completion to ensure that the foregoing requirements are met;

8. Any changes to the Project must be reported to your local Manitoba Agriculture, Food and Rural Initiatives' Growing Opportunities (GO) office and approved by Manitoba. Failure to do so may render the Project ineligible for funding;
9. Any costs associated with the Project prior to receipt of this approval letter will not be eligible; and
10. Upon completion of the Project, you must:
 - (a) complete and sign the enclosed Claim Statement;
 - (b) submit all invoices supporting expenditures and work related to the Project. If you are claiming materials from inventory, you must submit the original invoice for these materials;
 - (c) provide your Goods and Services Tax (GST) number/Business Number (BN) and your Social Insurance Number (SIN) as indicated on the Claim Statement.

Deadlines:

- Please sign both copies of this letter, returning one original with your initial claim by **July 30, 2013**. Keep the remaining original for your records.
- Please return these documents directly to:

Manitoba Agriculture, Food and Rural Initiatives
Attention: Clay Sawka
Agri-Environment Knowledge Centre
Box 1149
Carman, Manitoba
R0G 0J0

Thank you for your interest in the Manure Management Financial Assistance Program. If you have any further questions, please contact your local MAFRI GO Office or e-mail agrienv@gov.mb.ca.

I, _____ accept the terms and conditions set out in this approval letter and in the Terms and Conditions of the Manure Management Financial Assistance Program.

Signature

Date

You may be eligible for the Odor Control Tax Credit. Please visit the Government of Manitoba website for information and deadlines on tax programs.

Enclosures: Claim Statement (2 copies)
Claim Statement Checklist
Project Proposal Rating Summary



Agriculture, Food
and Rural Initiatives

Agri-Environment Knowledge Centre
Box 1149, Carman, Manitoba, Canada R0G 0J0
Fax 204-745-5690
www.manitoba.ca

June 21, 2013

Maple Leaf Agri-Farms – ASR #2
246 Main St., Box 290
Landmark, Mb R0A 0X0

RE: Manure Management Financial Assistance Program (the “Program”)
Client No: 12.11
Project No: MMFAP-03-18

Thank you for applying for funding under the Manure Management Financial Assistance Program.

To ensure that the maximum environmental benefits and the overall objectives of the Program are achieved, each application was rated and ranked based on its individual merit. Applications were rated and ranked according to three main criteria: the potential environmental benefits, Provincial program priorities and the thoroughness of the project design and planning. Please refer to the Project Proposal Rating Summary enclosed for more details on this process.

We are pleased to advise that the project, (BMP Category **Solid-Liquid Separation of Manure, Code M-301, M-302**) as outlined in your application (the “Project”) has been **APPROVED** for financial assistance of **75%** of eligible costs of the Project, to a maximum of **\$297,000.00**. This letter is your authorization to commence the Project, subject to the following terms and conditions:

1. All project expenses must be submitted by **February 15, 2014**;
2. The Project must be completed by **March 31, 2014**;
3. The Project must be completed as specified in your application and must be consistent with the criteria stated in the Program BMP Catalogue;
4. The Project must adhere to the following funding conditions:
 - (a) **Solid liquid separator equipment and infrastructure is approved for the purposes of concentrating phosphorus and making it easier to transport manure longer distances.**
 - (b) **Reverse Osmosis systems are not eligible.**
 - (c) **Manure drying equipment is not eligible.**
 - (d) **Any manure additives or feedstuffs to supplement manure are not eligible.**
 - (e) **Funding is intended for the current size of the operation. Funding is not intended to facilitate an expansion of the operation.**
 - (f) **The project completion will need to be verified by final inspection.**
5. The Project has been reviewed to ensure it satisfies the Province of Manitoba's obligation under the Canadian Environmental Assessment Act (CEAA). Based upon the Project description provided in your application, an environmental assessment and mitigation will be required as a condition for project funding;
6. You must obtain all required permits and licenses necessary for the Project;
7. Upon reasonable notice, at any time after approval, Manitoba may evaluate or verify the Project until completion to ensure that the foregoing requirements are met;

8. Any changes to the Project must be reported to your local Manitoba Agriculture, Food and Rural Initiatives' Growing Opportunities (GO) office and approved by Manitoba. Failure to do so may render the Project ineligible for funding;
9. Any costs associated with the Project prior to receipt of this approval letter will not be eligible; and
10. Upon completion of the Project, you must:
 - (a) complete and sign the enclosed Claim Statement;
 - (b) submit all Invoices supporting expenditures and work related to the Project. If you are claiming materials from inventory, you must submit the original Invoice for these materials;
 - (c) provide your Goods and Services Tax (GST) number/Business Number (BN) and your Social Insurance Number (SIN) as indicated on the Claim Statement.

Deadlines:

- Please sign both copies of this letter, returning one original with your initial claim by **July 30, 2013**. Keep the remaining original for your records.
- Please return these documents directly to:

Manitoba Agriculture, Food and Rural Initiatives
 Attention: Clay Sawka
 Agri-Environment Knowledge Centre
 Box 1149
 Carman, Manitoba
 R0G 0J0

Thank you for your interest in the Manure Management Financial Assistance Program. If you have any further questions, please contact your local MAFRI GO Office or e-mail agrienv@gov.mb.ca.

I, _____ accept the terms and conditions set out in this approval letter and in the Terms and Conditions of the Manure Management Financial Assistance Program.

 Signature

 Date

You may be eligible for the Odor Control Tax Credit. Please visit the Government of Manitoba website for information and deadlines on tax programs.

Enclosures: Claim Statement (2 copies)
 Claim Statement Checklist
 Project Proposal Rating Summary



**Agriculture, Food
and Rural Initiatives**

Agri-Environment Knowledge Centre
Box 1149, Carman, Manitoba, Canada R0G 0J0
Fax 204-745-5690
www.manitoba.ca

June 21, 2013

**Maple Leaf Agri-Farms – ASR #3
246 Main St., Box 290
Landmark, Mb R0A 0X0**

**RE: Manure Management Financial Assistance Program (the “Program”)
Client No: 12.12
Project No: MMFAP-03-19**

Thank you for applying for funding under the Manure Management Financial Assistance Program.

To ensure that the maximum environmental benefits and the overall objectives of the Program are achieved, each application was rated and ranked based on its individual merit. Applications were rated and ranked according to three main criteria: the potential environmental benefits, Provincial program priorities and the thoroughness of the project design and planning. Please refer to the Project Proposal Rating Summary enclosed for more details on this process.

We are pleased to advise that the project, (BMP Category **Solid-Liquid Separation of Manure, Code M-301, M-302**) as outlined in your application (the “Project”) has been **APPROVED** for financial assistance of 75% of eligible costs of the Project, to a maximum of **\$297,000.00**. This letter is your authorization to commence the Project, subject to the following terms and conditions:

1. All project expenses must be submitted by **February 15, 2014**;
2. The Project must be completed by **March 31, 2014**;
3. The Project must be completed as specified in your application and must be consistent with the criteria stated in the Program BMP Catalogue;
4. The Project must adhere to the following funding conditions:
 - (a) **Solid liquid separator equipment and infrastructure is approved for the purposes of concentrating phosphorus and making it easier to transport manure longer distances.**
 - (b) **Reverse Osmosis systems are not eligible.**
 - (c) **Manure drying equipment is not eligible.**
 - (d) **Any manure additives or feedstuffs to supplement manure are not eligible.**
 - (e) **Funding is intended for the current size of the operation. Funding is not intended to facilitate an expansion of the operation.**
 - (f) **The project completion will need to be verified by final inspection.**
5. The Project has been reviewed to ensure it satisfies the Province of Manitoba's obligation under the Canadian Environmental Assessment Act (CEAA). Based upon the Project description provided in your application, an environmental assessment and mitigation will be required as a condition for project funding;
6. You must obtain all required permits and licenses necessary for the Project;
7. Upon reasonable notice, at any time after approval, Manitoba may evaluate or verify the Project until completion to ensure that the foregoing requirements are met;

8. Any changes to the Project must be reported to your local Manitoba Agriculture, Food and Rural Initiatives' Growing Opportunities (GO) office and approved by Manitoba. Failure to do so may render the Project ineligible for funding;
9. Any costs associated with the Project prior to receipt of this approval letter will not be eligible; and
10. Upon completion of the Project, you must:
 - (a) complete and sign the enclosed Claim Statement;
 - (b) submit all invoices supporting expenditures and work related to the Project. If you are claiming materials from inventory, you must submit the original invoice for these materials;
 - (c) provide your Goods and Services Tax (GST) number/Business Number (BN) and your Social Insurance Number (SIN) as indicated on the Claim Statement.

Deadlines:

- Please sign both copies of this letter, returning one original with your Initial claim by **July 30, 2013**. Keep the remaining original for your records.
- Please return these documents directly to:

Manitoba Agriculture, Food and Rural Initiatives
Attention: Clay Sawka
Agri-Environment Knowledge Centre
Box 1149
Carman, Manitoba
R0G 0J0

Thank you for your interest in the Manure Management Financial Assistance Program. If you have any further questions, please contact your local MAFRI GO Office or e-mail agrienv@gov.mb.ca.

I, _____ accept the terms and conditions set out in this approval letter and in the Terms and Conditions of the Manure Management Financial Assistance Program.

Signature

Date

You may be eligible for the Odor Control Tax Credit. Please visit the Government of Manitoba website for information and deadlines on tax programs.

Enclosures: Claim Statement (2 copies)
Claim Statement Checklist
Project Proposal Rating Summary



**Agriculture, Food
and Rural Initiatives**

Agri-Environment Knowledge Centre
Box 1149, Carman, Manitoba, Canada R0G 0J0
Fax 204-745-6690
www.manitoba.ca

June 21, 2013

**Maple Leaf Agri-Farms – ASR #4
246 Main St., Box 290
Landmark, Mb R0A 0X0**

**RE: Manure Management Financial Assistance Program (the “Program”)
Client No: 12.13
Project No: MMFAP-03-20**

Thank you for applying for funding under the Manure Management Financial Assistance Program.

To ensure that the maximum environmental benefits and the overall objectives of the Program are achieved, each application was rated and ranked based on its individual merit. Applications were rated and ranked according to three main criteria: the potential environmental benefits, Provincial program priorities and the thoroughness of the project design and planning. Please refer to the Project Proposal Rating Summary enclosed for more details on this process.

We are pleased to advise that the project, (BMP Category **Solid-Liquid Separation of Manure, Code M-301, M-302**) as outlined in your application (the “Project”) has been **APPROVED** for financial assistance of **75%** of eligible costs of the Project, to a maximum of **\$297,000.00**. This letter is your authorization to commence the Project, subject to the following terms and conditions:

1. All project expenses must be submitted by **February 15, 2014**;
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3. The Project must be completed as specified in your application and must be consistent with the criteria stated in the Program BMP Catalogue;
4. The Project must adhere to the following funding conditions:
 - (a) **Solid liquid separator equipment and infrastructure is approved for the purposes of concentrating phosphorus and making it easier to transport manure longer distances.**
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5. The Project has been reviewed to ensure it satisfies the Province of Manitoba’s obligation under the Canadian Environmental Assessment Act (CEAA). Based upon the Project description provided in your application, an environmental assessment and mitigation will be required as a condition for project funding;
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Deadlines:

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- Please return these documents directly to:

Manitoba Agriculture, Food and Rural Initiatives
Attention: Clay Sawka
Agri-Environment Knowledge Centre
Box 1149
Carman, Manitoba
R0G 0J0

Thank you for your interest in the Manure Management Financial Assistance Program. If you have any further questions, please contact your local MAFRI GO Office or e-mail agrienv@gov.mb.ca.

I, _____ accept the terms and conditions set out in this approval letter and in the Terms and Conditions of the Manure Management Financial Assistance Program.

Signature

Date

You may be eligible for the Odor Control Tax Credit. Please visit the Government of Manitoba website for information and deadlines on tax programs.

Enclosures: Claim Statement (2 copies)
Claim Statement Checklist
Project Proposal Rating Summary



**Agriculture, Food
and Rural Initiatives**

Agri-Environment Knowledge Centre
Box 1149, Carman, Manitoba, Canada R0G 0J0
Fax 204-745-5890
www.manitoba.ca

June 21, 2013

**Maple Leaf Agri-Farms – ASR #5
246 Main St., Box 290
Landmark, Mb R0A 0X0**

**RE: Manure Management Financial Assistance Program (the "Program")
Client No: 12.14
Project No: MMFAP-03-21**

Thank you for applying for funding under the Manure Management Financial Assistance Program.

To ensure that the maximum environmental benefits and the overall objectives of the Program are achieved, each application was rated and ranked based on its individual merit. Applications were rated and ranked according to three main criteria: the potential environmental benefits, Provincial program priorities and the thoroughness of the project design and planning. Please refer to the Project Proposal Rating Summary enclosed for more details on this process.

We are pleased to advise that the project, (BMP Category **Solid-Liquid Separation of Manure, Code M-301, M-302**) as outlined in your application (the "Project") has been **APPROVED** for financial assistance of **75%** of eligible costs of the Project, to a maximum of **\$297,000.00**. This letter is your authorization to commence the Project, subject to the following terms and conditions:

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Deadlines:

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Manitoba Agriculture, Food and Rural Initiatives
 Attention: Clay Sawka
 Agri-Environment Knowledge Centre
 Box 1149
 Carman, Manitoba
 R0G 0J0

Thank you for your interest in the Manure Management Financial Assistance Program. If you have any further questions, please contact your local MAFRI GO Office or e-mail agrienv@gov.mb.ca.

I, _____ accept the terms and conditions set out in this approval letter and in the Terms and Conditions of the Manure Management Financial Assistance Program.

 Signature

 Date

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Enclosures: Claim Statement (2 copies)
 Claim Statement Checklist
 Project Proposal Rating Summary



**Agriculture, Food
and Rural Initiatives**

Agri-Environment Knowledge Centre
Box 1149, Carman, Manitoba, Canada R0G 0J0
Fax 204-745-5690
www.manitoba.ca

June 21, 2013

Maple Leaf Agri-Farms – ASR #6
246 Main St., Box 290
Landmark, Mb R0A 0X0

RE: Manure Management Financial Assistance Program (the “Program”)
Client No: 12.15
Project No: MMFAP-03-22

Thank you for applying for funding under the Manure Management Financial Assistance Program.

To ensure that the maximum environmental benefits and the overall objectives of the Program are achieved, each application was rated and ranked based on its individual merit. Applications were rated and ranked according to three main criteria: the potential environmental benefits, Provincial program priorities and the thoroughness of the project design and planning. Please refer to the Project Proposal Rating Summary enclosed for more details on this process.

We are pleased to advise that the project, (BMP Category **Solid-Liquid Separation of Manure, Code M-301, M-302**) as outlined in your application (the “Project”) has been **APPROVED** for financial assistance of **75%** of eligible costs of the Project, to a maximum of **\$297,000.00**. This letter is your authorization to commence the Project, subject to the following terms and conditions:

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Deadlines:

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- Please return these documents directly to:

Manitoba Agriculture, Food and Rural Initiatives
 Attention: Clay Sawka
 Agri-Environment Knowledge Centre
 Box 1149
 Carman, Manitoba
 R0G 0J0

Thank you for your interest in the Manure Management Financial Assistance Program. If you have any further questions, please contact your local MAFRI GO Office or e-mail agrienv@gov.mb.ca.

I, _____ accept the terms and conditions set out in this approval letter and in the Terms and Conditions of the Manure Management Financial Assistance Program.

 Signature

 Date

You may be eligible for the Odor Control Tax Credit. Please visit the Government of Manitoba website for information and deadlines on tax programs.

Enclosures: Claim Statement (2 copies)
 Claim Statement Checklist
 Project Proposal Rating Summary



**Agriculture, Food
and Rural Initiatives**

Agri-Environment Knowledge Centre
Box 1149, Carman, Manitoba, Canada R0G 0J0
Fax 204-745-5890
www.manitoba.ca

June 21, 2013

Maple Leaf Agri-Farms – ASR #7
246 Main St., Box 290
Landmark, Mb R0A 0X0

RE: Manure Management Financial Assistance Program (the "Program")
Client No: 12.16
Project No: MMFAP-03-23

Thank you for applying for funding under the Manure Management Financial Assistance Program.

To ensure that the maximum environmental benefits and the overall objectives of the Program are achieved, each application was rated and ranked based on its individual merit. Applications were rated and ranked according to three main criteria: the potential environmental benefits, Provincial program priorities and the thoroughness of the project design and planning. Please refer to the Project Proposal Rating Summary enclosed for more details on this process.

We are pleased to advise that the project, (BMP Category **Solid-Liquid Separation of Manure, Code M-301, M-302**) as outlined in your application (the "Project") has been **APPROVED** for financial assistance of **75%** of eligible costs of the Project, to a maximum of **\$297,000.00**. This letter is your authorization to commence the Project, subject to the following terms and conditions:

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 - (c) provide your Goods and Services Tax (GST) number/Business Number (BN) and your Social Insurance Number (SIN) as indicated on the Claim Statement.

Deadlines:

- Please sign both copies of this letter, returning one original with your Initial claim by **July 30, 2013**. Keep the remaining original for your records.
- Please return these documents directly to:

Manitoba Agriculture, Food and Rural Initiatives

Attention: Clay Sawka

Thank you for your interest in the Manure Management Financial Assistance Program. For further questions, please contact your local MAFRI GO Office or e-mail agrienv@gov.mb.ca.

I, _____ accept the terms and conditions set out in this approval letter and in the Terms and Conditions of the Manure Management Financial Assistance Program.

Signature

Date

You may be eligible for the Odor Control Tax Credit. Please visit the Government of Manitoba website for information and deadlines on tax programs.

Enclosures: Claim Statement (2 copies)
Claim Statement Checklist
Project Proposal Rating Summary

Canada

Manitoba 

Exhibit B – Proposed Second Interim Distribution

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

**PROPOSED SECOND DISTRIBUTION
As At October 16, 2013**

RECEIPTS		BMO	FCC	MASC	Notes
MAFR Holdback	1,573,765				
Interest	<u>13,633</u>	\$ 1,587,398	\$ -	\$ 1,587,398	\$ -
Asset Purchase Agreement Proceeds		43,847,129	23,075,256	19,516,873	1,255,000
Interest		177,639	142,111	35,528	-
Transfer from Niverville Credit Union Accounts		5,965	4,772	1,193	-
Accounts Receivable		242,971	242,971	-	-
Insurance Rebates		26,208	20,966	5,242	-
Co-Op Equity		218,136	174,509	43,627	-
GST		9,708	9,708	-	-
Other		71,934	57,547	14,387	-
Subtotal		46,187,089	23,727,841	21,204,248	1,255,000
DISBURSEMENTS					
Corporate Expenses		676	541	135	-
Farm Purchases		46,630	37,304	9,326	-
Payroll and Benefits		75,682	60,546	15,136	-
Professional Fees		509,797	407,838	101,959	-
Property Taxes		21	17	4	-
Utilities		12,355	9,884	2,471	-
Other		19,522	15,618	3,904	-
Subtotal		664,684	531,747	132,937	-
EXCESS OF RECEIPTS OVER DISBURSEMENTS PRIOR TO INTERIM DISTRIBUTION					
	\$ 45,522,405	\$ 23,196,094	\$ 21,071,311	\$ 1,255,000	
First Interim Distribution					
DIP Repayment		4,036,111	2,205,701	1,767,660	62,750
BMO (as per Distribution Order)		18,023,212	17,726,173	-	-
FCC (as per Distribution Order)		15,520,264	-	15,817,303	-
Adjustment (as agreed upon between BMO and FCC)		-	297,039	(297,039)	-
MASC (as per Distribution Order)		1,041,524	-	-	1,041,524
Subtotal		38,621,111	20,228,913	17,287,924	1,104,274
EXCESS OF RECEIPTS OVER DISBURSEMENTS					
	\$ 6,901,294	\$ 2,967,181	\$ 3,783,387	\$ 150,726	
PROPOSED SECOND INTERIM DISTRIBUTION					
MAFR Escrow Fund		1,587,398	-	1,587,398	-
BMO		2,181,548	2,181,548	-	-
FCC		1,614,547	-	1,614,547	-
MASC		110,818	-	-	110,818
Subtotal		5,494,312	2,181,548	3,201,946	110,818
RESIDUAL FUNDS HELD IN TRUST					
	\$ 1,406,982				
Represented By					
Funds Held in Trust - ITB Claimants		906,982			
Funds in Trust - General Holdback		500,000			
	\$ 1,406,982				

NOTES:

- 1** Second interim distribution allocated based on the Excess of Receipts Over Disbursements (net of MAFR funds to be paid to FCC) on a pro-rata basis.

Exhibit C – Statement of Receipts and Disbursements

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

**STATEMENT OF RECEIPTS AND DISBURSEMENTS OF THE MONITOR
December 14, 2012 to October 16, 2013**

RECEIPTS

MAFR Holdback	1,573,765		
Interest	13,633	\$	1,587,398
Asset Purchase Agreement Proceeds	43,847,129		
Interest	177,639		44,024,768
Transfer from Niverville Credit Union Accounts			5,965
Accounts Receivable			242,971
Insurance Rebates			26,208
Co-Op Equity			218,136
GST			9,708
Other			71,934
Subtotal		\$	46,187,089

DISBURSEMENTS

Corporate Expenses		\$	676
Farm Purchases			46,630
Payroll and Benefits			75,682
Professional Fees			509,797
Property Taxes			21
Utilities			12,355
Other			19,522
Subtotal		\$	664,684

**EXCESS OF RECEIPTS OVER DISBURSEMENTS
PRIOR TO INTERIM DISTRIBUTION**

\$ 45,522,405

Interim Distribution

DIP Repayment			4,036,111
BMO			18,023,212
FCC			15,520,264
MASC			1,041,524
Subtotal		\$	38,621,111

EXCESS OF RECEIPTS OVER DISBURSEMENTS

\$ 6,901,294