

**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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**AFFIDAVIT OF RAYMOND ALAN HILDEBRAND  
SWORN THE 24TH DAY OF OCTOBER, 2012  
DATE OF HEARING: TUESDAY, OCTOBER 30, 2012 AT 9:00 A.M.  
BEFORE: THE HONOURABLE MR. JUSTICE DEWAR**

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Client File No. 15611-250 DJAC

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Pembina Valley Pigs Ltd. and Niverville  
Swine Breeders Ltd. (the "Applicants")

**AFFIDAVIT OF RAY HILDEBRAND**

I, RAYMOND ALAN HILDEBRAND, of the Rural  
Municipality of Springfield, in the Province of Manitoba,  
Businessman,

MAKE OATH AND SAY THAT:

1. I am the President, Chief Executive Officer and  
Secretary of The Puratone Corporation ("TPC"), and the President  
of both Pembina Valley Pigs Ltd. ("PVP") and Niverville Swine  
Breeders Ltd. ("NSB"), the above-named Applicants, and as such  
have personal knowledge of the facts and matters hereinafter

deposed to by me, except where stated to be based upon information and belief and in those I do verily believe.

### **Initial Application**

2. On September 12, 2012 this Honourable Court granted the Initial Order in these proceedings (the "Initial Order"). In the Initial Order, the Court among other things:

- a) Granted a stay of proceedings as against the Applicants to October 12, 2012 (the "Stay Period");
- b) Authorized and empowered the Applicants to obtain and borrow under a credit facility (the "DIP Loan") from Bank of Montreal ("BMO") in an amount not to exceed \$6 million on the terms set forth in a September 11, 2012 commitment letter (the "Commitment Letter") and to execute and deliver definitive documents contemplated by the Commitment Letter (the "Definitive Documents");

- c) Directed the Monitor to develop and commence a sale process (the "Sale Process") with the Applicants for the purpose of offering to sell all or parts of the Applicants' business and property; and
- d) Entitled the Applicants (subject to the terms and availability under the Commitment Letter and Definitive Documents) to pay reasonable expenses, including paying for goods or services supplied to the Applicants following the date of the Order and specified expenses, goods and services supplied before the date of the Order.

### **First Extension Motion**

3. On October 10, 2012 this Honourable Court granted an Order in these proceedings (the "First Extension Order"). In First Extension Order, the Court:

- a) Extended the stay of proceedings as against the Applicants to November 2, 2012 (the "Stay Period");
- b) Adjourned the Applicants' request for approval of the Monitor's Pre-Filing Report and First Report including the activities subscribed therein to be brought back on for hearing with appropriate notice.

**Activities – Post First Extension Order: Second Stay Extension is Appropriate**

4. Following the issuance of the First Extension Order, the Applicants have continued to act in good faith and with due diligence including amongst other things:

- a) The Applicants have continued to operate the business in the normal course with the benefit of the stay of proceedings and the DIP Loan, which have provided stability to the business and temporarily alleviated the liquidity crisis that the Applicants faced at the time of filing the Application for the Initial Order;

- b) The Applicants have continued to communicate and work with their stakeholders and reassure suppliers, customers, employees and other stakeholders regarding the purpose and parameters of these proceedings and the efforts to pursue the sale process and the goal of maximizing value and providing for continued operation of the business as a going concern;
- c) The Applicants have continued to cooperate, assist and work with the Monitor in its conduct of the Sale Process in accordance with the Initial Order.

5. As disclosed in the First Report of the Monitor dated October 5, 2012, the Monitor revised the Sale Process and prepared standardized offering schedules to be completed by the interested parties to enable the Monitor to compare the different letters of intent ("LOI") received. These standardized offering schedules were provided to the interested parties with a "Notice of Intended Process" inviting the parties to re-submit LOI's and

complete the information requirements of the standardized offering schedules on a confidential basis on or before October 15, 2012. The Notice of Intended Process also contemplated the successful bidder would conclude an Asset Purchase Agreement with the Applicants on or before October 22, 2012 which would be subject to Court approval.

6. Following the October 15, 2012 deadline the Monitor received LOI's with standardized offering schedules from three parties. These were reviewed with the Secured Lenders and the Applicants. Following this review the Monitor, the Secured Lenders and the Applicant concurred on which LOI constituted the highest and best proposal ("Successful Bidder") following which the Applicants acknowledged and agreed to that LOI on October 17, 2012.

7. I should also point out that one of the terms of Successful Bidder's LOI is that the Applicants not make public disclosure of the LOI and that terms and identity of the Successful

Bidder be kept confidential and not be disclosed without the Successful Bidder's consent. The Successful Bidder is not prepared to consent to public disclosure of its identity until our Asset Purchase Agreement has been completed and executed by the parties and an appropriate media disclosure protocol entered into. The information contained in the LOI is confidential and commercially sensitive and it would be detrimental to the Sale Process if the information contained therein was publicly disclosed before the Sale Process can be completed.


8. A stay of proceedings is essential for continued operation of the Applicants' business and to complete the Sale Process. An extension of the stay to November 12, 2012 is necessary and appropriate in the circumstances, and should enable the Monitor and the Applicants sufficient time to conclude an Asset Purchase Agreement with the Successful Bidder and return to this Honourable Court on motion for an Approval and Vesting Order.

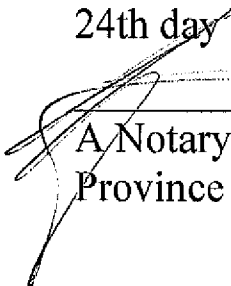


9. Now shown to me and marked as Exhibit "A" to this my Affidavit is a true copy of the updated 13 week cash flow projection for October 15, 2012 through January 20, 2013 which discloses that the Applicants have sufficient working capital to fund operations during a requested extension of the stay period. In comparing this cash flow projection to the one attached to the Affidavit I previously caused to be filed in these proceedings sworn October 4, 2012 there has been a slight improvement by virtue of some favourable movements in foreign exchange and hog prices as well as a deferral of the KERP payment until the week commencing November 19, 2012. However, it also discloses that, based on current projections, the Applicants will not have sufficient working capital to fund operations much longer. If an Asset Purchase Agreement cannot be finalized and approved by the Court quickly it will be necessary to either seek an increase in the DIP loan or initiate a wind-down.

10. It is my understanding that the Monitor and the secured lenders have each expressed their support for an extension of the stay period to November 12, 2012.

11. I make this Affidavit *bona fide* and in support of the Applicants' second extension motion.

SWORN BEFORE ME at the	)	 _____	
City of Winnipeg, in the	)		
Province of Manitoba, this	)		<b>RAYMOND ALAN</b>
24th day of October, 2012	)		<b>HILDEBRAND</b>

  
\_\_\_\_\_  
A Notary Public in and for the  
Province of Manitoba.

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**THIS IS EXHIBIT "A" REFERRED TO IN THE  
AFFIDAVIT OF RAYMOND ALAN HILDEBRAND  
SWORN BEFORE ME AT THE CITY OF WINNIPEG  
IN THE PROVINCE OF MANITOBA  
THIS 24<sup>TH</sup> DAY OF OCTOBER, 2012**



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**A NOTARY PUBLIC**  
in and for the Province of Manitoba

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

Week Start	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	Week 1 - 13		
Week End	15-Oct-12	22-Oct-12	29-Oct-12	5-Nov-12	12-Nov-12	19-Nov-12	26-Nov-12	3-Dec-12	8-Dec-12	15-Dec-12	22-Dec-12	29-Dec-12	5-Jan-13	12-Jan-13	20-Jan-13	Cumulative Totals
<b>Assumptions</b>																
<b>Market Hogs - Hedged</b>																
Market Hogs - Hedged																
Shipment Volume	8,254	8,125	5,503	4,812	4,071	7,413	7,394	7,226	7,970	9,072	8,665	7,924	9,114	9,114	9,114	93,200
Price (CAD)	165.56	165.39	167.14	163.90	160.32	158.80	155.75	153.52	144.83	150.05	150.74	131.50	134.00	134.00	134.00	134.00
<b>Market Hogs - Non-Hedged</b>																
Market Hogs - Non-Hedged																
Shipment Volume	600	1,000	37	37	600	600	600	600	600	600	600	600	600	600	600	6,000
Price (CAD)	37	37	37	37	60	60	37	37	37	37	37	37	37	37	37	37
<b>Iso-weanings</b>																
Market Hogs - Hedged	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	15,000
Shipment Volume	33.00	33.00	33.00	33.00	33.00	33.00	33.00	33.00	33.00	33.00	33.00	33.00	33.00	33.00	33.00	330.00
Price (USD)																
<b>Exchange Rate</b>																
Estimated rate	0.99	0.98	0.99	0.99	0.99	0.98	0.96	0.96	0.99	0.99	0.99	0.99	0.99	0.99	0.99	0.99
<b>Receipts</b>																
<b>Sales</b>																
Market hogs - Hedged	1,176,000	1,377,000	1,376,000	920,000	789,000	669,000	897,000	1,190,000	1,111,000	1,185,000	1,382,000	1,291,000	1,200,000	1,200,000	1,200,000	14,487,000
Market hogs - Non-hedged	(117,600)	(137,700)	(137,600)	(82,000)	(78,900)	(65,300)	(85,700)	(113,000)	(111,400)	(118,500)	(135,200)	(129,100)	(120,000)	(120,000)	(120,000)	(1,448,700)
10% reduction in pricing factor	29,555	29,440	26,440	22,960	30,882	27,952	23,852	27,344	23,858	13,500	29,824	32,656	29,136	29,136	29,136	305,948
Premium (\$/hog RWA)	14,205	14,100	13,790	13,955	15,115	14,980	15,070	15,115	15,100	15,470	15,405	14,230	14,165	14,165	14,165	185,725
Premium (\$/hog HyLife)	1,029,560	1,282,840	1,281,650	870,015	759,337	630,652	809,937	1,058,724	1,034,760	1,115,474	1,271,189	1,208,826	1,123,301	1,123,301	1,123,301	13,933,873
Subtotal market hogs	33,000	22,200	37,000	360,000	22,200	360,000	360,000	22,200	48,500	48,500	48,500	48,500	48,500	48,500	48,500	485,000
Feeders	18,200	48,500	48,500	48,500	48,500	48,500	48,500	48,500	48,500	48,500	48,500	48,500	48,500	48,500	48,500	485,000
Iso-weanings																
Gill sales																
Cull sales	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	700,000
Feed	243,750	331,750	443,750	243,750	443,750	243,750	531,750	243,750	443,750	531,750	243,750	443,750	243,750	443,750	443,750	4,632,750
Other	74,600	74,600	74,600	74,600	74,600	74,600	74,600	74,600	74,600	74,600	74,600	74,600	74,600	74,600	74,600	746,000
Agri-stability																
Payoff/recovery																
<b>Total Receipts</b>	1,521,110	1,755,290	1,952,950	1,233,265	1,343,287	1,383,902	1,846,317	1,491,174	1,398,010	1,791,824	1,634,439	1,644,376	1,606,551	1,606,551	1,606,551	20,873,123
<b>Disbursements</b>																
<b>Operations</b>																
Ingredients costs	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	1,194,000	1,194,000	15,522,000
Escalation	119,400	119,400	119,400	119,400	119,400	119,400	119,400	119,400	119,400	119,400	119,400	119,400	119,400	119,400	119,400	1,552,200
Production input costs	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	210,000	210,000	2,730,000
Operating expenses	108,750	481,750	415,343	340,714	106,750	238,750	563,750	340,714	108,750	238,750	341,750	210,714	238,750	238,750	238,750	3,558,235
Payroll	20,900	575,000	20,900	575,000	20,900	575,000	20,900	575,000	575,000	20,900	575,000	20,900	575,000	575,000	575,000	4,270,400
Restructuring																
Professional fees	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	500,000
KERP																
Other																
Financing																
Interest & principal																
DIP charges																
<b>Total Disbursements</b>	1,703,050	2,640,150	2,058,643	3,207,114	1,703,950	3,207,150	1,967,550	2,488,114	1,703,050	2,387,150	2,408,650	1,805,014	2,357,150	2,357,150	2,357,150	29,122,835
<b>Net Cash Flows</b>	(181,940)	(884,860)	(105,693)	(973,849)	(364,663)	(1,823,248)	(111,233)	(997,940)	(305,040)	(595,326)	(774,211)	(160,638)	(750,599)	(750,599)	(750,599)	(9,249,712)
<b>Operating Cash</b>	(2,000,400)	(3,031,273)	(3,918,133)	(3,973,786)	(5,220,645)	(5,589,408)	(7,442,656)	(8,951,829)	(9,515,171)	(9,504,311)	(9,648,537)	(10,422,740)	(10,563,368)	(10,563,368)	(10,563,368)	(3,034,273)
<b>Net Cash Flow</b>	(181,940)	(884,860)	(105,693)	(973,849)	(364,663)	(1,823,248)	(111,233)	(997,940)	(305,040)	(595,326)	(774,211)	(160,638)	(750,599)	(750,599)	(750,599)	(9,249,712)
<b>Closing Cash (Incl. Inflow)</b>	(2,761,343)	(3,918,133)	(3,973,786)	(5,220,645)	(5,589,408)	(7,442,656)	(8,951,829)	(9,515,171)	(9,515,171)	(9,515,171)	(9,515,171)	(9,515,171)	(9,515,171)	(9,515,171)	(9,515,171)	(9,515,171)
<b>Excess over DIP Facility</b>																

The Purzone Corporation  
 13 Week Cash Flow Projection  
 October 23 2012 through January 20 2013

Actual Through 9/30/12: 13,634,873

Variance	
Frozen balance	(13,398,085)
Total Available C/P	5,801,835
Net	2,657,662

Notes

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