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**THIS IS EXHIBIT "35" REFERRED TO IN THE  
AFFIDAVIT OF RAYMOND ALAN HILDEBRAND  
SWORN BEFORE ME AT THE CITY OF WINNIPEG  
IN THE PROVINCE OF MANITOBA  
THIS 11 DAY OF SEPTEMBER, 2012**



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

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**Confidential Information  
Memorandum**



June 2012



## **CONFIDENTIAL INFORMATION MEMORANDUM**

This Confidential Information Memorandum (the "Memorandum") has been prepared by The Puratone Corporation ("Puratone" or the "Company") with the assistance of its exclusive financial advisor Ernst & Young Inc. ("EY"), from material supplied by the Company for the sole purpose of arranging the transaction as proposed herein. The purpose of this Memorandum is to assist the recipients in considering whether they wish to pursue an acquisition of or investment in the Company. Delivery of this Memorandum does not constitute an offer to sell or a solicitation of an offer to purchase securities under the securities laws of any jurisdiction, including the United States Securities Act of 1933, as amended, or any U.S. state securities laws, or a solicitation to enter into any other transaction. While the information herein is believed to be accurate, the Company and EY each expressly disclaim all liability for representations or warranties, expressed or implied, contained in, or for omissions from this Memorandum or any other written or oral communication transmitted or made available to any party. Interested parties will be permitted to conduct their own due diligence prior to providing binding commitments and must rely solely on their own investigations and on representations, warranties or undertakings contained in any final agreements.

## **CONFIDENTIALITY**

The information contained in this Memorandum is submitted to parties on a confidential basis for use solely in connection with their consideration of the acquisition opportunity described herein and is subject to the Confidentiality Agreement ("CA") between the Company and the recipient. By its acceptance hereof, and in accordance with the executed CA, the recipient agrees that neither it nor any of its employees or advisors shall use the information for any purpose other than the evaluation of the opportunity, nor shall it divulge the information or distribute this Memorandum to any other party, in whole or in part, at any time without the prior written consent of the Company through EY. Upon request, the recipient will promptly return all material received from the Company and EY (including this Memorandum) without retaining any copy thereof. In furnishing this Memorandum, the Company and EY assume no obligation to provide the recipient with any additional information.

## **FUTURE ORIENTED FINANCIAL INFORMATION**

This Memorandum includes certain financial estimates and projections provided by the Company with respect to its future performance. Such estimates and projections reflect various assumptions made by the Company concerning its anticipated results and actions, which assumptions may or may not prove to be correct. The actual results achieved during the projection period will vary from the projected results and such variations may be material. There is no representation, warranty or other assurance that any of the estimates, forecasts or projections will be realized. **All dollar amounts referred to in this document are expressed in CAD\$ unless otherwise indicated.**



## PROCEDURE

Recipients of this Memorandum should direct any questions or requests for additional information to the undersigned and should not contact the Company other than as directed by EY. The Company has instructed EY, as its exclusive financial advisor, to contact a number of qualified purchasers. The Company wishes to move as expeditiously as possible. The contemplated timeline and procedures are summarized as follows:

Discussions with prospective purchasers, execution of the Confidentiality Agreement, and circulation of this Confidential Information Memorandum ("CIM") will take place between May 21, 2012 and June 28, 2012, in order to provide information to prospective purchasers, to permit the prospective purchasers to assess whether or not to proceed with a further detailed investigation of this acquisition opportunity and to submit a proposal thereon. This could include an onsite visit and providing interested parties further information, under the terms of the CA and restrictions as set out herein. Management and EY would work with interested parties to provide information to help them identify the profitability potential from a restructured business.

Potential purchasers who are interested in pursuing this opportunity are to provide EY a preliminary expression of interest **on or before June 28, 2012**, outlining the basis on which a potential purchaser proposes to acquire the Company.

The preliminary expression of interest should include at a minimum material assumptions employed by the potential purchaser in preparing its preliminary expression of interest, the proposed purchase price, the proposed sources of financing, additional due diligence items to be undertaken, and a proposed timeline to complete the process.

Following receipt of the proposals, the Company will evaluate expressions of interest received and EY will provide additional information, where required.

The Company acknowledges that certain of the transaction structures proposed by prospective purchasers may require the approval of the Court of Queen's Bench of Manitoba by way of a court-sanctioned restructuring process, in order to transfer title to the assets free and clear of statutory or registered liens. It is anticipated that such a process would be undertaken by commencement of proceedings under the *Companies' Creditors Arrangements Act*. The Company and its legal advisors are prepared to work with prospective purchasers to facilitate such applications.

EY will arrange for appropriate due diligence by qualified potential purchasers. The Company will consider transaction proposals only from potential investors who meet certain qualifications. The Company and EY reserve the right at any time and without providing notice or reason, to (i) amend or terminate the process; (ii) decline to permit any interested party to participate in the process; (iii) terminate discussions with any and all interested parties; (iv) reject any and all proposals; or (v) negotiate with any party with respect to a transaction involving the Company.



Recipients who do not wish to pursue this matter are requested to return this Memorandum to the undersigned at their earliest convenience.

**Ernst & Young Inc.  
2700 – 360 Main Street  
Winnipeg, Manitoba R3C 4G9  
Telephone: 204 947 6519  
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Joe Healey  
Senior Vice President  
Tel: 204 954 5568  
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# Executive Summary

## The Company

Puratone is a private corporation with operations located exclusively in the Province of Manitoba Canada, consisting of extensive hog production operations and related feed production facilities.

The Company is significantly vertically integrated and a North American leader in swine production, ranking in the top quartile of North American low cost producers. Puratone raises approximately 500,000 market hogs for slaughter per year (excludes external sales of isoweans and feeders to independent customers, as well as gilts for internal use) with a herd of approximately 30,000 breeding sows at over 40 operating facilities, on a land base of approximately 6,600 acres. The Company also operates a network of three HACCP (FeedAssure) certified feed mills, capable of producing 300,000 tonnes of animal feed per year, and a network of 3 farm supply retail outlets.

The North American hog industry suffered substantial losses in late 2008 and 2009, arising from several coinciding factors:

- ▶ A significant increase in market hog population, in response to lower herd mortality due to the development of a highly effective circovirus vaccine;
- ▶ Dramatic increases in feed grain costs (the largest single production cost of live hogs) due to the rapid growth of the US ethanol industry and the related demand for corn;
- ▶ The onset of a global economic recession that negatively impacted demand for the more expensive meat protein as a human dietary component; and
- ▶ The global H1N1 pandemic that was mislabeled as “swine flu”, causing a further decline in demand for pork due to human health concerns associated with the product.

The Canadian industry experienced additional losses due to:

- ▶ The rapid rise of the Canadian dollar exchange rate with the US dollar, due to the global weakening of US currency and the relative attractiveness of the commodity based Canadian economy and stability of the underlying financial institutions; and
- ▶ The implementation of US mandatory country of origin labeling (mCOOL) on meat products which disrupted Canadian livestock exports to the US.

The Company funded cash flow deficits arising from the challenging circumstances by drawing on available working capital and its revolving credit facilities. In 2010, the Company restructured its lending facilities through the use of the crisis support program introduced by the Canadian government known as the Hog Industry Loan Loss Reserve Program (HILLRP). This program enabled Puratone to convert a large portion of current debt to term facilities partially guaranteed by federal reserves, and this conversion provided a refreshment of available working capital to fund the further cash requirements anticipated until margins recovered.



The large price adjustments for pork required to restore profitability to the pork production chain takes considerable time to complete due to the lengthy hog production cycle. It was anticipated that this adjustment would be completed by 2012, but the present outlook suggests that more time may be required due to ongoing weakness in domestic pork demand and shortages in feed grains arising from a US drought in 2011. As a result, the Company believes that additional capital is required to ensure that operations are maintained to position the Company for full participation in the recovered market opportunities that will follow this adjustment.

### Transaction Structure

The Company is assessing all strategic options available to maximize stakeholder value in the circumstances. As a result of a slower than anticipated recovery in North American hog markets, the Company is seeking a fresh injection of capital, which is expected to be combined with a restructuring and recapitalization of the Company's balance sheet. The Company anticipates that the interest of prospective purchasers will be limited to offers to purchase the assets of the Company. In the event that prospective purchasers are interested in acquiring an equity stake in the Company, such proposals will also be considered.

### Principal Attributes of the Company

- ▶ Full integration of livestock production facilities enables the Company to deliver over 94% of finisher hogs that meet Grade A packer specifications.
- ▶ Professional management team with strength in financial management, operational effectiveness, and animal health and welfare, and rooted in a culture of disciplined innovation.
- ▶ High level of ownership and control of livestock production facilities in all segments of production.
- ▶ A leading reputation for quality and efficiency, including excellent herd health management.
- ▶ ISO 14001 certified Environmental Management System.
- ▶ All hog production sites CQA and ACA certified
- ▶ All feed mills are FeedAssure certified
- ▶ CFIA certified Raised Without Antibiotics (RWA) production
- ▶ Commercial scale research facilities in all growth segments.
- ▶ Vertically integrated with the following inputs/services:
  - ▶ Manure management and GPS field application
  - ▶ Livestock and feed transport
  - ▶ Gilt & semen production
  - ▶ Wholesale farm and livestock pharmaceutical supplies
  - ▶ Nutrition and feed production
  - ▶ Veterinarian oversight and herd health management





## Benefits for Complementary / Synergistic Parties

An acquisition of the Company offers strategic purchasers the opportunity to further consolidate throughout the supply chain, and capture related synergies.

For prospective purchasers with an existing hog production system, a transaction provides the ability to leverage the Company's extensive research capabilities and leading edge production practices throughout the combined entity. In addition, the Company has strength and expertise in underlying functions that support a hog production system such as:

- ▶ Executive management
- ▶ Extensive analytical capability
- ▶ Financial management and accounting functions
- ▶ Information systems (production and finance)
- ▶ Herd health management
- ▶ Animal nutrition
- ▶ Environmental management
- ▶ Capital project management and farm maintenance (including fabrication)
- ▶ Human resources
- ▶ Production management
- ▶ Six sigma, continuous improvement, and quality assurance

These functions can support additional production without a proportionate additional investment, providing an opportunity to defray the related costs over more sales units to improve the economic efficiency of the combined production streams. Additional purchasing power would also reduce input costs. The combined benefit of adopting best practices, spreading overhead over more production volume, and added purchasing power is estimated to improve net financial performance of a combined enterprise (with similar production volumes as the Company) by \$3.00 to \$5.00 per hog sold.

Prospective purchasers with an existing hog production system that is not vertically integrated to the extent of Puratone would also benefit from access to the integrated activities of Puratone which would reduce costs throughout the existing system. This includes potential for a reduction in feed costs due to the surplus capacity presently available in the Company's network of feed production facilities.



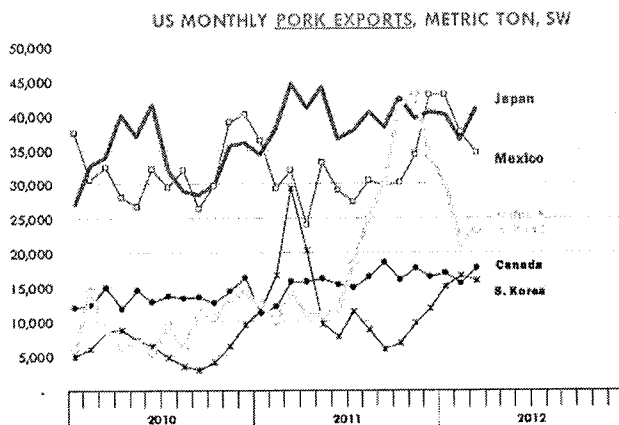
# Industry Overview

## North American Market Overview

The North American market is dominated by the producers and packers in the USA and Canada, with a fairly high level of integration between the two countries characterized by a significant flow of isowean animals from Canada into growout / finisher facilities in the USA. The total sow base in USA and Canada approximates 7.1 million sows (5.8 million and 1.3 million respectively). This base is composed of large scale corporate producers commonly referred to as the Pork Powerhouses who control in excess of 40% of total production, along with thousands of smaller independent producers. A list of "Pork Powerhouses" is provided in the Appendices as Exhibit A.

The industry continues to experience consolidation as the Pork Powerhouses increase their share of the total production base through acquisitions and construction of modern large scale farms while independents exit the industry and shut down smaller, obsolete production facilities. There is also an increasing trend towards integration of slaughter capability, fresh pork production and branded marketing sectors, an example of which is the largest producer Smithfield Foods, with a production base of approximately 838,000 sows.

Of the fresh pork produced in North America, roughly 75% is consumed domestically with extensive trading between Canada and the USA. Production growth in the last decade has been supported by a significant increase in exports outside of the USA and Canada. Export markets are dominated by Japan and Mexico, but growth in the export markets has been primarily from South Korea (in response to an outbreak of foot and mouth disease in 2011) and China (whose intermittent purchases in response to pork shortages represent significant purchase volumes from time to time).



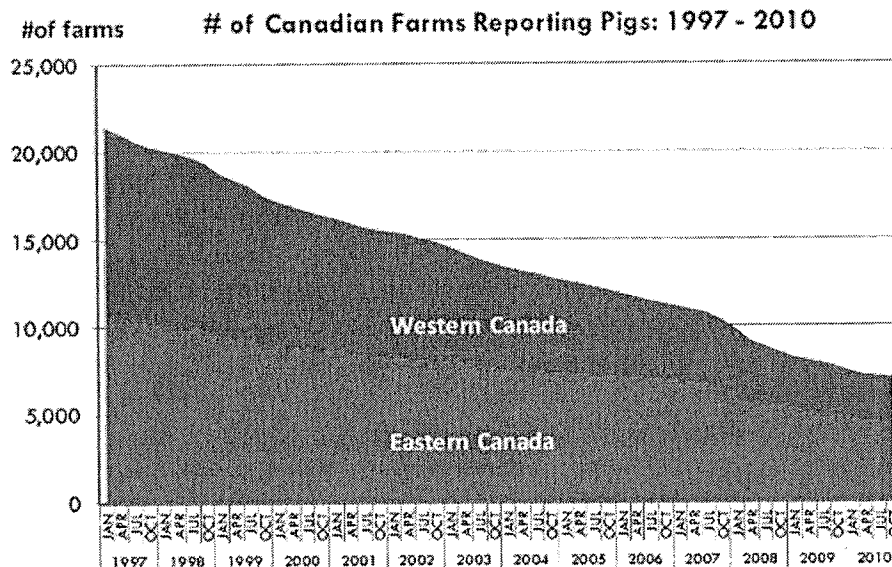


## Canadian Market

The Canadian market is characterized by less integration between producers and packers than the USA, and slaughter capacity in Canada is dominated by two primary players; Maple Leaf Foods and Olymel. The Province of Manitoba produces approximately 30% of all hogs produced in Canada and represents the largest production base of any single province. Manitoba also has 25.4% of the total slaughter capacity in Canada, with the country's largest and most modern plant located in the city of Brandon and owned by Maple Leaf Foods with a slaughter capacity in excess of 4 million head annually. Hylife Foods owns and operates Manitoba's second-largest plant, located in the town of Neepawa. This plant is presently expanding its slaughter capacity, with an expected volume of well over one million hogs per year.

The Canadian market was hard hit by the dramatic increase in currency exchange with the US dollar that took place in recent years, as \$CAD realized prices are principally based on USA markets. The resulting erosion of farm gate profit has resulted in a decrease to the Canadian sow base of 21% since 2005, but this decline has stabilized in the past 2 years.

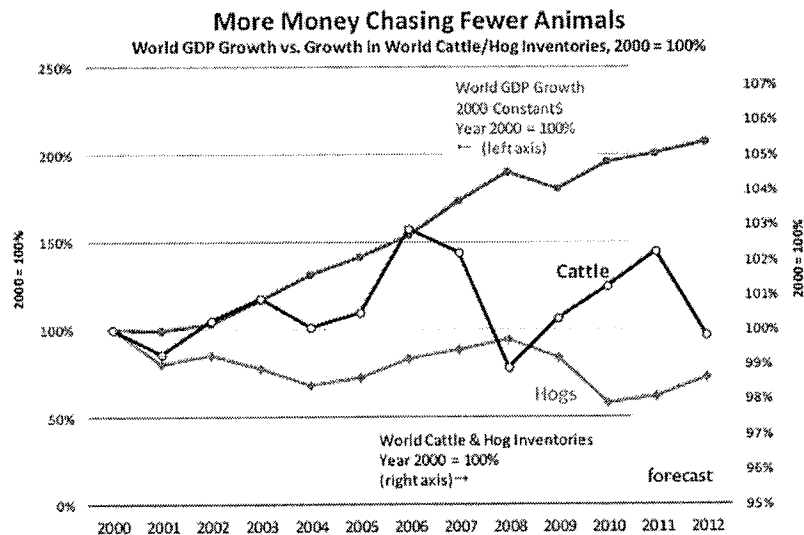
The Canadian market has also undergone significant consolidation in the last decade, both in the packing side and the producing segment. The number of producers reporting hog inventory in Canada has declined from over 20,000 farms in 1997, to less than 7,500 in 2010.





## Industry Trends

Global demand for meat protein is predicted to continue steadily increasing along with population increases expected to 2050. In addition, per capita income growth creates higher demand for meat protein as wealthier consumers change food consumption patterns to favour a greater portion of meat protein in their dietary intake. Global GDP doubled during the period of 2000 (GDP of \$32 trillion) to 2010 (GDP of \$63 trillion) while global hog inventory decreased during the decade by 2% (global cattle inventories was relatively unchanged through the period).



This increasing wealth, particularly in Asian regions, fuels increased demand for a larger portion of daily consumption of meat protein, resulting in significant increases in global demand. With much of this growth situated in Asia, pork consumption is well positioned to dominate this growth market due to the high preference for pork in the Asian diet.

North American meat consumption has been steadily decreasing due to recent economic conditions, as well as a longer term trend towards health concerns associated with red meat, combined with increased consciousness of animal rights issues and the steady growth of vegetarian diets. Among the world's wealthiest populations, consumers are also demanding increased knowledge regarding the origin of their food and the practices employed by primary producers. This demand for transparency is primarily driven by increasing public concerns about food safety, environmental sustainability, and animal welfare.

Global pork production has declined by 2% in the last decade while global cattle inventories have remained relatively unchanged through the same period. In addition, global production has been shifting from regions of denser human populations and limited land base to the more sparsely populated regions of Canada, central USA, and Brazil. Hog production in Europe and the United Kingdom has contracted due to this density factor and sustainability concerns, combined with

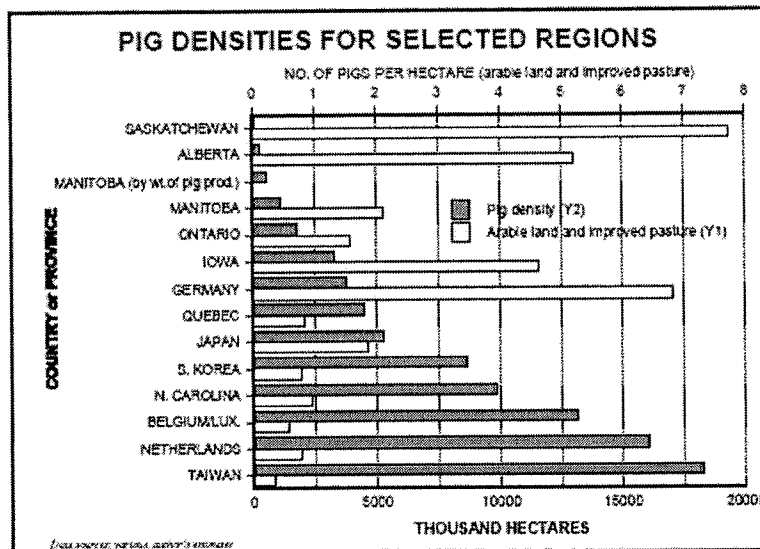


increasingly restrictive regulations surrounding waste management and animal welfare. This has significantly diminished Europe's exporting significance in the pork industry.

### Growth Prospects

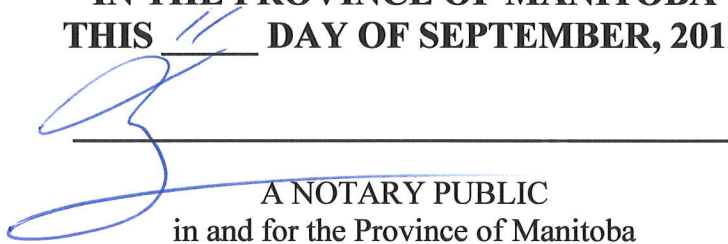
Significant export opportunity exists for North American pork production to supply the growing global demand for pork arising from population increases and economically induced dietary preferences. Hog production costs in Canada and the USA are among the lowest in the world due to the abundance of high quality feed grains grown in North America, positioning these countries very well for production growth to supply the increasing global demand for pork.

The Canadian industry is particularly well positioned for growth in supplying premium global markets. North America has a strong reputation for food safety, and the Canadian prairies grow significant volume of barley grains which yield desirable meat characteristics when fed to hogs. In addition, Canada's northern climate and relatively sparse livestock density limits animal disease transmission and promotes high health herds, while also providing a vast land base capable of supporting significant growth of livestock populations in an environmentally sustainable manner. This capacity for growth is clearly illustrated in the following comparison of animal densities in major hog producing regions.



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THIS 11 DAY OF SEPTEMBER, 2012**

  
\_\_\_\_\_  
A NOTARY PUBLIC  
in and for the Province of Manitoba

---

The Puratone Corporation  
Head Office Box 460, Silverville, Manitoba, R0A 1E0  
Tel: Free 1.800.340.4421  
T: 204.388.4741 F: 204.388.0038  
www.puratone.com



June 8, 2012

Dear Puratone Shareholder,

Please find enclosed the Financial Statements for the Company for the six month period ended March 31, 2012.

The Company reported a net loss for the quarter of \$0.775 million as compared with the loss of \$2.154 million reported in the same quarter of the prior year. While this result is clearly favourable in comparison, hog prices during the second quarter of the fiscal year declined from the levels of the first quarter; and the trend in the late February and March ran contrary to the seasonal strengthening that typically commences in that early spring period. Energy source prices such as corn were relatively flat through the quarter, as expectations of significant plantings in the US helped to offset the continued depletion of the low corn reserves from the 2011 crop. Protein sources such as soymeal increased in cost during the quarter due to lower than expected yields in the South American soybean crop. This combination of energy and protein market movements resulted in modest increases in feed costs throughout the January to March quarter.

The use of the Company's revolving credit facilities increased during the quarter by \$3.75 million, primarily due to increased inventory investment of \$2.0 million, repayment of term debt of \$0.8 million, and capital expenditures of \$1.2 million that were required to maintain assets in suitable operating condition.

The general outlook for hog profit margins for the summer season of 2012 has deteriorated significantly due primarily to softening domestic demand and the lack of a significant global event (such as the foot and mouth disease outbreak in South Korea last year) to precipitate a further surge in export demand. Meanwhile, pork supplies remain high due to excellent productivity of North American herds combined with the ongoing trend towards heavier live animal market weights as producers attempt to maximize throughput and revenues in the face of the ongoing profit challenges. Losses are not expected to be significant through this summer period, but the Canadian industry in particular, is highly vulnerable due to a lack of capital available to fund losses. We are actively pursuing plans that would provide access to new sources of capital in anticipation of further losses.

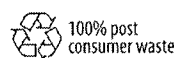
Sincerely,

**THE PURATONE CORPORATION**

Per: 

Ray Hildebrand  
President & Chief Executive Officer

Att.



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THIS 11 DAY OF SEPTEMBER, 2012**

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

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June 8, 2012

Dear Puratone Shareholder,

At the Annual General Meeting of Shareholders held on March 22<sup>nd</sup>, reference was made to a likely need for Puratone to pursue a financial restructuring involving additional capital due to the slow pace of market adjustments required to restore the industry to profitability.

Your Board of Directors has been working closely with Management to actively monitor the market situation, consider Puratone's options and assemble a plan to withstand the prolonged challenges that are now expected to prevail through 2012. In examining our options, the Board and Management concluded that it would be in the best interests of Puratone to engage the services of a financial advisor in order to assist us identifying and soliciting potential investors who may be interested in investing in Puratone. This investment could take the form of an equity or debt investment or some other form of asset sale or business combination or joint venture. After consideration, we have engaged the services of Ernst & Young's transaction advisory services group.

The involvement of Ernst & Young will better enable us to market this opportunity to potential investors, whether locally or internationally based. The solicitation process is being undertaken on a confidential basis and will be offered to potential investors who demonstrate the financial ability and commitment to make a substantial investment or acquisition of this nature. Potential acquirers or investors are being asked to provide expressions of interest by June 28, 2012 outlining the basis on which they would propose to complete a transaction.

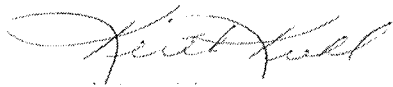
If any of our shareholders are interested in pursuing opportunity for further investment in or acquisition of Puratone, they may contact Joe Healey of Ernst & Young at 204-954-5568 or [joe.a.healey@ca.ey.com](mailto:joe.a.healey@ca.ey.com) and request a copy of the offering material. However, given the highly sensitive nature of this process, only those persons who are able to demonstrate a financial ability to conclude a transaction of the nature required will be provided with the opportunity to review the confidential information memorandum.

Puratone continues to operate on a highly productive and efficient basis, and our size and scale further establish our significance as a key participant in the Canadian hog industry. We believe that these factors make Puratone an attractive business, even considering the history of losses that the industry has been subject to over the past five years.

This letter is being sent to keep our shareholders informed of these pursuits. In the event an option emerges that requires shareholder approval, a Special Meeting of the Shareholders will be scheduled for this purpose.

Yours Truly,

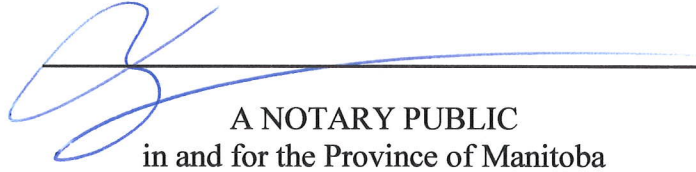
**THE PURATONE CORPORATION**

Per: 

Keith Kuhl  
Chairman of the Board

---

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A NOTARY PUBLIC  
in and for the Province of Manitoba

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## CCAA Interim Financing Facility Term Sheet

### PART ONE - RECITALS

#### WHEREAS:

(a) The Puratone Corporation ("**Puratone**") is the principal operating, "banking" and administrative entity in the carrying on of a large, Manitoba-based integrated hog business, which includes the business operations and assets of Puratone and its wholly-owned subsidiaries Pembina Valley Pigs Ltd. ("**Pembina**") and Niverville Swine Breeders Ltd. ("**Niverville**") (collectively, the "**Puratone Group**");

(b) a HILLRP Term Sheet dated February 10, 2010, as thereafter amended from time to time, including without limitation by the most recent amendment and restatement thereof [Amended and Restated (March 8, 2012) "HILLRP" Term Sheet for Puratone accepted by the Puratone Group on March 23, 2012] and the "Bulge Amendment" identified and described in the next following recital paragraph, was heretofore entered into by Bank of Montreal (the "**Bank**") and the Puratone Group (the "**Original Puratone Term Sheet**"), together with related security documentation and other agreements and documentation comprising Puratone's existing loan arrangements with the Bank which provide for or impose on Puratone certain terms, conditions and obligations (collectively with the obligations of Puratone pursuant to the Original Puratone Term Sheet, the "**Existing Puratone Loan Obligations**");

(c) a Term Sheet Amending Agreement dated August 31, 2012 (the "**Bulge Amendment**") was entered into between the Bank, the Borrower and the Guarantors and affirmed by Farm Credit Canada and Manitoba Agricultural Services Corporation, wherein the Bank agreed to provide a \$1,000,000 "out-of-margin" bulge (the "**Out-of-Margin Bulge**") to Facility A (Margined Operating Facility) under the Original Puratone Term Sheet upon the terms and conditions set out therein;

(d) as at September 7, 2012, Puratone was indebted to the Bank in the following amounts in respect of the following credit facilities (the "**Existing Puratone Credit Facilities**") provided to Puratone pursuant to the Original Puratone Term Sheet:

|            |  |                 |
|------------|--|-----------------|
| Facility A | Margined Operating Facility<br>(the " <b>Existing Puratone Operating Credit</b> ") | \$12,327,217.98 |
| Facility B | HILLRP 15 Year Credit Term Facility  | \$28,573,788.35 |
| Facility C | Risk Management Facility   | \$NIL           |

Facility D      Corporate MasterCard Facility      \$31,640.63

(e) performance by Puratone of its Existing Puratone Loan Obligations is guaranteed in favour of the Bank by the guarantees in writing of Pembina and Niverville (the “**Guarantors**”);

(f) by reason principally of market conditions prevailing in the hog industry, Puratone has suffered and continues to suffer substantial ongoing losses and working capital deficiencies, and is in default of financial covenant, margining and other terms and conditions of the Original Puratone Term Sheet and otherwise in respect of its Existing Puratone Loan Obligations, which defaults have not been waived by the Bank;

(g) the Puratone Group has informed the Bank that the conditions necessary for the ongoing viability of the Puratone Group include restructuring its debt and certain operational features of its business, and to assist in such restructuring they presently intend to imminently seek Court protection and restructuring under the CCAA (as hereinafter defined);

(h) the Puratone Group is presently suffering a liquidity crisis that threatens the ongoing sustainability of its business operations, has represented that it requires additional working capital funding on an urgent basis and has requested that the Bank provide the Puratone Group with interim financing (also referred to as debtor-in-possession or “DIP” financing) for the period of its CCAA restructuring process so as to enable a restructuring of their businesses and property on an orderly and expedited basis;

(i) the Puratone Group has prepared a 13 week cash flow projection attached as Schedule “A” to this Term Sheet for the period from September 2, 2012 to December 2, 2012 to project its cash requirements for such time period;

(j) the Bank is prepared to provide a CCAA interim (DIP) financing facility on the express terms and conditions outlined herein in an amount not less than the DIP Facility Ceiling Amount (as hereinafter defined), provided that such interim (DIP) financing facility be used and disbursed for the purposes of and in accordance with the Initial CCAA Order and the Cash Flow Budget (both as hereinafter defined);

**NOW THEREFORE** the Bank herein sets out the terms and conditions for the CCAA Interim Financing Facility:

The following lists the parties to this Term Sheet:

**Lender:**            BMO Bank of Montreal

**Borrower:**        The Puratone Corporation

**Guarantors:**    Pembina Valley Pigs Ltd. and Niverville Swine Breeders Ltd.

The following lists the Schedules attached to and forming part of this Term Sheet:

**"A"** Puratone's 13 week cash flow projection for the period from September 2, 2012 to December 2, 2012 (this Schedule constitutes Puratone's initial Cash Flow Budget).

**"B"** draft form of Initial CCAA Order.

## PART TWO - DEFINITIONS

**"Applicable Law"** means, with respect to any person, property, transaction or event, all present or future applicable laws, statutes, regulations, rules, orders, codes, treaties, conventions, judgements, awards, determinations and decrees of any governmental, regulatory, fiscal or monetary body or court of competent jurisdiction in any applicable jurisdiction.

**"Bank"** and **"BMO"** means BMO Bank of Montreal, the lender under this Term Sheet.

**"Bank CCAA Security"** has the meaning ascribed to it in Part Four of this Term Sheet.

**"BMO Liquidation Account"** means a new separate and distinct bank account for the Borrower established with the Bank on or immediately after the Cessation Date and into which all proceeds from the sale of Current Assets shall be deposited and from which the Borrower shall have no withdrawal rights.

**"Borrower"** means The Puratone Corporation.

**"Bulge Amendment"** has the meaning ascribed to it in the Recitals.

**"Cash Flow Budget"** means the detailed weekly forward looking 13 week rolling cash flow budget of receipts and disbursements as prepared by the Borrower and reviewed and approved by the Deloitte & Touche Inc. and attached as Schedule "A" to this Term Sheet (which for greater certainty has not been approved by the Bank), and any subsequent detailed cash flow budget prepared by the Borrower with the assistance of and approved by the Monitor in accordance with the Initial CCAA Order and submitted by the Borrower to the Bank and approved in writing by the Bank; provided that the future budgets shall also include historical rolling cash flow statements of actual receipts and disbursements for the periods covered by previous budgets and detailed explanations as to variances from such previous budgets to actual results.

**"CCAA"** means the *Companies Creditors' Arrangement Act (Canada)*.

**"CCAA Conditions Precedent"** has the meaning ascribed to it in Part Four of this Term Sheet.

**"CCAA Facility Termination Date"** has the meaning ascribed to it in Part Four of this Term Sheet.

**"CCAA Interim Financing Charge"** means, in the CCAA Proceedings, a Court-ordered first in priority charge in favour of the Bank over all present and future assets, property and undertaking of each of the Borrower and Guarantors, subject only to Permitted CCAA

Encumbrances, as security for the full and prompt payment and performance when due of all present and future liabilities and obligations of the Borrower and the Guarantors to the Bank (whether direct or indirect, joint or several, absolute or contingent) incurred and/or arising under this Term Sheet.

**“CCAA Interim Financing Facility”** means the senior secured super-priority debtor-in-possession revolving operating credit facility in the maximum principal amount equal to the DIP Facility Ceiling Amount.

**“CCAA Plan Implementation Date”** means the date on which an Order approving a plan of compromise or arrangement filed in the CCAA Proceedings becomes a Final Order.

**“CCAA Proceedings”** means the Court restructuring proceedings of the Borrower and the Guarantors under the CCAA.

**“Cessation Date”** means the date fixed and identified as such by the Bank by reason of its determination and conclusion that the Borrower and/or Guarantors have ceased carrying on business in the usual and ordinary course, such determination and conclusion having been made on information indicating *inter alia* that the Puratone Group is no longer “replenishing” its herd (i.e. the sow herd is no longer being bred) and/or a Liquidation Process has been commenced.

**“Court”** means the Manitoba Court of Queen’s Bench.

**“Current Assets”** has the meaning ascribed thereto in the Puratone InterCreditor Agreement [i.e. “(i) the Receivables, the Inventory and the Breeding Stock, and (ii) all choses in action, rights and contracts relating to the property described in (i) and all Proceeds realized by any member of the Puratone Group from such contracts”].

**“DIP Facility Ceiling Amount”** means \$6,000,000 minus the amount outstanding under the Out-of-Margin Bulge as at the close of business on the date of the Initial CCAA Order.

**“Event of Default”** has the meaning ascribed to it in Part Four of this Term Sheet.

**“Existing Actions”** means the following two legal proceedings:

- 4541775 Manitoba Ltd. v. Premium Pork Producers Ltd., Premium Pig Producers Ltd., Pembina Valley Pigs Ltd. and The Puratone Corporation, Queen's Bench, Winnipeg Centre, File No. CI 11-01-74443 (wherein the Plaintiff seeks damages for an alleged breach of contract arising from the Borrower’s and/or Pembina’s terminating their agreement and removing its hogs from the plaintiffs' barn; such proceeding is in the discovery stage), and
- Ben Bueckert and Eagledale Farms Ltd. v. The Puratone Corporation, Queen's Bench File No. CI 01-01-23245 (wherein the plaintiff seeks damages for an alleged breach of contract; discoveries have been completed and this matter is in the pre-trial conference stage).

**“Existing Puratone Credit Facilities”** has the meaning ascribed to it in the Recitals.

**“Existing Puratone Loan Obligations”** has the meaning ascribed to it in the Recitals, and, without limitation, includes all amounts outstanding and owing to the Bank from Puratone in relation to the credit facilities described in paragraph (d) of the Recitals.

**“Existing Puratone Operating Credit”** has the meaning ascribed to it in the Recitals.

**“FCC Liquidation Account”** means a new separate and distinct bank account for the Borrower established with the Bank on or immediately after the Cessation Date and into which all proceeds from the sale of Other Property shall be deposited and from which the Borrower shall have no withdrawal rights.

**“Final Order”** means, in respect of any Order, an order after (i) the expiry of all appeal periods, or (ii) in the event of an appeal or application for leave to appeal or to stay, vary, supersede, set aside or vacate such order, final determination of such appeal or application, whether by agreement or by the applicable court or tribunal.

**“GAAP”** means, at anytime, the generally accepted accounting principles in Canada, applied on a consistent basis, and statements and interpretations (if applicable) issued by the Canadian Institute of Chartered Accountants or any successor or body in effect from time to time.

**“Guarantors”** means each of Pembina Valley Pigs Ltd. and Niverville Swine Breeders Ltd.

**“HILLRP”** means the Hog Industry Loan Loss Reserve Program heretofore created by the Government of Canada (represented by the Minister of Agriculture and Agri-Food) in response to the hog industry’s need for capital and to assist viable hog operations with their short term liquidity needs.

**“Indemnified Person”** has the meaning ascribed to it in Part Four of this Term Sheet.

**“Initial CCAA Order”** means the initial Order in the CCAA Proceedings granting authority to file with the Court a plan of compromise or arrangement in accordance with the CCAA.

**“InterCreditor Agreements”** means the Niverville InterCreditor Agreement and the Puratone InterCreditor Agreement.

**“Liquidation Process”** means a process to wind down the operations of the Puratone Group and sell and liquidate the assets of the Puratone Group, specifically including its herd (including without limitation all sows, boars, piglets and other swine and pigs).

**“Material Adverse Change”** means any event, development or circumstance that has had or could reasonably be expected to have a Material Adverse Effect.

**“Material Adverse Effect”** means a material adverse effect (or a series of adverse effects, none of which is material in and of itself but which, cumulatively, results in a material adverse effect)



on: (i) the business, operations, property, financial condition or prospects of the Puratone Group, measured as a whole; (ii) the ability of any member of the Puratone Group to perform any of its obligations under or in connection with the CCAA Interim Financing Facility; (iii) the ability of the Bank to enforce any of the obligations of any member of the Puratone Group under this or in connection with the CCAA Interim Financing Facility, in each case in accordance with Applicable Law; (iv) the enforceability or priority of security interests and liens in favour of the Bank; or (v) the value of the property of the Puratone Group.

**“Monitor”** means the Monitor appointed or to be appointed under the Initial CCAA Order or any replacement thereof appointed by the Court in the CCAA Proceedings.

**“Net Proceeds”** means in respect of any disposition by any member of the Puratone Group, the aggregate of the cash proceeds and the fair market value of any non-cash proceeds of such disposition, received by such person after deducting reasonable, *bona fide* direct transaction costs and expenses, including fees and commissions applicable thereto.

**“Niverville InterCreditor Agreement”** means that certain InterCreditor and Priority Agreement dated March 17, 2010 between the Bank, Manitoba Agricultural Services Corporation and Niverville Swine Breeders Ltd.

**“Order”** means an order of the Court.

**“Original Puratone Term Sheet”** has the meaning ascribed to it in the Recitals.

**“Other Property”** has the meaning ascribed thereto in the Puratone InterCreditor Agreement [i.e. “any and all assets, property and undertaking of the Puratone Group except for the Current Assets and Proceeds of such Current Assets”].

**“Out-of-Margin Bulge”** has the meaning ascribed to it in the Recitals;

**“Permitted CCAA Encumbrances”** means charges created under the Initial CCAA Order (including without limitation an Administration Charge, DIP Lender’s Charge, Financial Advisor’s Charge, Critical Supplier Charge, KERP Charge and Directors’ Charge), the maximum amount secured by, and the priority of each of which, shall be acceptable to the Bank in its sole discretion, and any other liens or encumbrances which are acceptable to the Bank in its sole discretion, which Permitted CCAA Encumbrances shall be subordinate to the Bank’s CCAA Interim Financing Charge except as set forth in the Initial CCAA Order or as otherwise agreed to in writing by the Bank, in its sole discretion.

**“Prime Rate”** or **“Prime”** means the floating annual rate of interest established from time to time by the Bank as the base rate it will use to determine the rates of interest on Canadian dollar loans made in Canada and designated as its Prime Rate. Interest payable on Canadian dollar direct advances will be due and payable monthly in arrears based on a 365/366-day year.

**“Puratone InterCreditor Agreement”** means that certain InterCreditor and Priority Agreement dated March 17, 2010 between the Bank, Farm Credit Canada, Manitoba Agricultural Services Corporation, the Borrower and Pembina Valley Pigs Ltd.

**“Related Orders”** means orders of courts of jurisdictions other than Manitoba required to be made pursuant to the Initial CCAA Order or otherwise in the course of the CCAA Proceedings.

### **PART THREE - CONFIRMATIONS AND ACKNOWLEDGEMENTS**

The Borrower and the Guarantors each confirm, acknowledge and agree that:

1. The facts and matters set out in the Recitals above are true and correct and, without limitation, Puratone is indebted to the Bank in respect of the credit facilities and in the amounts set out in the Recitals as at the date(s) referred to in the Recitals.
2. Except as expressly amended, modified or waived under this Term Sheet, the Original Puratone Term Sheet and all security, guarantees, and other documents and agreements provided by any of the borrowers or guarantors thereunder or related thereto or related otherwise to the existing indebtednesses and obligations of each of Puratone and Niverville, Pembina to the Bank are and remain in full force and effect, unimpaired and enforceable in accordance with their respective terms and the Bank has not waived, in whole or in part, any default by any of Puratone, Niverville or Pembina in respect of any term, condition or obligation thereunder.

### **PART FOUR - THE CCAA INTERIM FINANCING FACILITY**

**Description** - CCAA interim financing, being a senior secured super-priority debtor-in-possession revolving operating credit facility in the maximum principal amount equal to the DIP Facility Ceiling Amount. The aggregate borrowings under the CCAA Interim Financing Facility during any week shall not exceed the forecasted borrowing requirements set forth in the Cash Flow Budget. In addition, the aforementioned maximum available amount shall be permanently reduced by the amount of 100% of the Net Proceeds from the disposition of redundant or non-material assets permitted hereunder (such Net Proceeds being payable to the Bank pursuant to the “Mandatory Prepayments” required below in this Part Four). Upon activation of the CCAA Interim Financing Facility the Borrower shall no longer be entitled to any advances under the Original Puratone Term Sheet (specifically including the Bulge Amendment).

**Purposes** - For working capital purposes of the Borrower and the Guarantors (and NOT for any other entities whether related to the Borrower or not) during the CCAA Proceedings in accordance with the Cash Flow Budget.

**Uses of Proceeds** - The CCAA Interim Financing Facility may be used to pay (i) expenditures provided for in the Cash Flow Budget, (ii) fees and expenses associated with the CCAA Interim Financing Facility, fees and expenses of the Bank’s counsel and fees and expenses associated with the CCAA Proceedings generally, and (iii) such other expenditures as the Bank shall have consented to in writing. The Borrower and the Guarantors shall not make any expenditures inconsistent with the most recent Cash Flow Budget approved by the Bank from time to time,

shall not utilize the proceeds of the CCAA Interim Financing Facility to make repayments of the Existing Puratone Loan Obligations or any loan obligations to Farm Credit Canada and Manitoba Agricultural Services Corporation and shall not incur or enter into any debts, liabilities or obligations, including without limitation guarantees and contingent obligations, other than as permitted by the Initial CCAA Order or in writing by the Bank. Without the prior written approval of the Bank, the Borrower and Guarantors shall not use the proceeds of the CCAA Interim Financing Facility otherwise than in accordance with this Uses of Proceeds paragraph of this Term Sheet.

**Borrowing Option** - The CCAA Interim Financing Facility will be available for draw down by the Borrower for the specified Purposes in accordance with the Terms and Conditions of this Term Sheet upon (i) the execution and delivery of this Term Sheet by the Borrower and Guarantors, (ii) the satisfaction of the Conditions Precedent hereinafter stipulated, and (iii) the approval authorizing the borrowings on the terms and conditions outlined in this Term Sheet by the Court, by drawdown to occur only by way of direct advances in Canadian dollars (C\$) via a FirstBank Cash Management Account (FCMA), upon execution of the FCMA Agreement (primed-based).

**Cessation of Revolving Feature** - Notwithstanding anything else contained in this Term Sheet or in the FCMA Agreement (primed-based) mentioned above, from and after the Cessation Date: (i) the CCAA Interim Financing Facility shall no longer revolve and the advances then outstanding under the CCAA Interim Financing Facility shall be "frozen" on such Cessation Date; (ii) any further advances under the CCAA Interim Financing Facility shall be made only in new funds in accordance with the "Uses of Proceeds" section of this Term Sheet; and (iii) all proceeds from the sale of Current Assets shall be deposited to the BMO Liquidation Account and all proceeds from the sale of Other Property shall be deposited to the FCC Liquidation Account.

**CCAA Facility Termination Date** - The entire amount outstanding under the CCAA Interim Financing Facility, including all accrued and unpaid interest shall be repaid by the Borrower immediately upon the earliest of (the "CCAA Facility Termination Date"): (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 Bank made following an Event of Default stipulated in the "Default" section of this Part Four, and (v) the date of substantial completion of the Liquidation Process, such date being determined by the Bank in its sole and absolute discretion; provided that such CCAA Facility Termination Date may be extended at the request of the Borrower with the consent of the Bank, at its sole discretion, for such period and on such terms as the Borrower and the Bank may agree and as the Court in the CCAA Proceedings may approve.

**Payment of Interest** - Interest on amounts outstanding under the CCAA Interim Financing Facility shall accrue and be payable monthly in arrears at the rates set out herein.

**Repayment of Principal** - Unless otherwise specifically agreed in this Term Sheet, the principal outstanding under this CCAA Interim Financing Facility shall be repaid by the Borrower on the CCAA Facility Termination Date.

**Amount Ultimately Repayable** - The amount ultimately repayable by the Borrower to the Bank in relation to the CCAA Interim Financing Facility [being the total principal amount of all outstanding advances, all interest accrued thereon and all costs, charges, expenses and legal fees and disbursements (on a solicitor and his own client basis) incurred in connection therewith and in connection with the CCAA Proceedings generally] shall be repaid from the proceeds arising from the sale of the Puratone Group's assets. Eighty (80%) percent of such amount shall be paid from proceeds of Current Assets over which the Bank has first priority security pursuant to the Puratone InterCreditor Agreement and Twenty (20%) percent of such amount shall be paid from proceeds of Other Property over which Farm Credit Canada has first priority security pursuant to the Puratone InterCreditor Agreement.

**Interest Rates** - The outstanding principal amount under this CCAA Interim Financing Facility shall bear interest at [LANGUAGE REDACTED].

**Arrangement Fee** - The arrangement fee payable by the Borrower to the Bank for the Bank's provision of this CCAA Interim Financing Facility is as follows: [LANGUAGE REDACTED].

**Documentation and Security** - All present and future liabilities and obligations of each of the Borrower and Guarantors to the Bank under this CCAA Interim Financing Facility and otherwise arising hereunder shall be secured and evidenced, as the case may be, by the following documents completed in form and substance satisfactory to the Bank and its counsel (collectively, the "**Bank CCAA Security**"):

1. the Initial CCAA Order (including the CCAA Interim Financing Charge provided for therein) on terms in accordance generally with the draft form of Initial CCAA Order as annexed hereto as Schedule "D");
2. Guarantees from each Guarantor in favour of the Bank guaranteeing payment and performance by the Borrower to the Bank of all of the Borrower's present and future debts, liabilities and obligations to the Bank under this Term Sheet;
3. General Security Agreements from each of the Borrower and Guarantors (if required by the Bank);
4. Mortgage/charge of land over all of the real property in respect of which any of the Borrower and Guarantors have an interest (if required by the Bank);
5. all security currently held by the Bank as the pre-CCAA lender to the Borrower;
6. all supporting authorizations, certificates, acknowledgements and legal opinions as the Bank and its counsel may reasonably require (including without limitation those described in the next three following sections);
7. an Officer's Certificate in respect of each of the Borrower and Guarantors certifying that attached thereto are true and correct copies of the following documents, and that such documents are in full force and effect, unamended: (A) the articles, memorandum, by laws, constating documents or other organizational documents of

the applicable company; (B) the resolutions or other documentation evidencing that all necessary action (if any), corporate or otherwise, has been taken by the applicable company to authorize the execution, delivery and performance of the Term Sheet and Bank CCAA Security to which it is a party;

8. a certificate of status, certificate of compliance or similar certificate with respect to the jurisdiction of incorporation or formation of each Borrower/Guarantor and any other jurisdiction in which a Borrower/Guarantor conducts business;
9. opinions of counsel to the Borrower and Guarantors with respect to (i) the due authorization, execution and delivery by each of the Borrower and Guarantors of this Term Sheet and the Bank CCAA Security, and (ii) the enforceability of this Term Sheet and the Bank CCAA Security as against each of the Borrower and Guarantors; and
10. such further documentation that the Bank and its counsel may reasonably require.

**Conditions** - The obligation of the Bank to make available the CCAA Interim Financing Facility is subject to and conditional upon each of the following conditions (the “**CCAA Conditions Precedent**”) which are for the exclusive benefit of the Bank and, unless waived in writing by the Bank, shall be fulfilled, satisfied and performed prior to the first advance under the CCAA Interim Financing Facility:

**Conditions to Initial Availability under CCAA Interim Financing Facility:**

1. acceptance by each of the Borrower and Guarantors of this Term Sheet;
2. the Bank shall have received the Bank CCAA Security (provided that the Bank may in its sole and absolute discretion rely on the CCAA Interim Financing Charge and waive the requirement for delivery of some or all other items constituting the Bank CCAA Security), in form and content acceptable to the Bank in its sole and absolute discretion, including evidence satisfactory to the Bank that Initial CCAA Order shall have created in favour of the Bank valid enforceable liens on all property of the Puratone Group having the priority specified herein securing all indebtedness and obligations under this Term Sheet;
3. the Bank shall have received new account opening documentation, in form and content acceptable to the Bank in its sole and absolute discretion, for (i) the CCAA Interim Financing Facility (provided that the Bank in its discretion may permit the Borrower to continue to utilize its existing operating account for the CCAA Interim Financing Facility), and (ii) each of the BMO Liquidation Account and the FCC Liquidation Account;
4. each of the Borrower and Guarantors obtaining an Initial CCAA Order in form and content satisfactory to the Bank in its sole and absolute discretion on or by September 12, 2012, *inter alia* (a) authorizing the borrowings on the terms and conditions outlined in this Term Sheet and approving same, (b) creating the CCAA

Interim Financing Charge, and (c) containing such other terms and conditions as the Bank may deem necessary or appropriate (including without limitation, an order sealing the information from this Term Sheet relating to interest rates and fees);

4. the Related Orders, if any, shall have been made;
5. all Orders issued in the CCAA Proceedings and all motions and other documents filed by any of the Borrower and Guarantors in the CCAA Proceeding shall be satisfactory in form and substance to the Bank;
6. no motion for leave to appeal the Initial CCAA Order or Related Orders shall have been made or an intention to do so communicated in writing;
7. the Initial CCAA Order and the Related Orders shall be in full force and effect and shall not have been reversed, stayed, modified, amended or varied, without the express written consent of the Bank, and no application or motion shall have been made to the Court for any stay, modification or amendment of the Initial CCAA Order or the Related Orders;
8. the Borrower and Guarantors shall be in compliance with all Orders entered in the CCAA Proceedings and shall be diligently pursuing the successful completion of the CCAA Proceedings with a view to, among other things, full satisfaction and payment of all obligations owing to the Bank;
9. the stay of proceedings provided by the Initial CCAA Order and the Related Orders shall remain in effect pursuant to stay extension orders that are in form and substance satisfactory to the Bank;
10. the Bank shall have been named as additional insureds and loss payees on the Borrower's and Guarantors' casualty insurance policies, including insurance with respect to any real property;
11. all property subject to the CCAA Interim Financing Charge will be free and clear of liens, encumbrances and claims ranking in priority to the CCAA Interim Financing Charge, except for Permitted CCAA Encumbrances that are expressly granted priority by the Initial CCAA Order;
12. the Borrower and Guarantors shall be in compliance with all of the terms and conditions set forth in this Term Sheet;
13. the Bank shall have received a document signed by Farm Credit Canada in form and substance acceptable to the Bank and its solicitors wherein Farm Credit Canada agrees to the "80/20 allocation" applicable to the amount ultimately repayable contemplated by the paragraph with the heading "Amount Ultimately Repayable" in Part Four of this Term Sheet;
14. no Event of Default (as defined herein) shall have occurred; and

15. there shall have been no breach of any covenant or other obligation of the Borrower or Guarantor under or in connection with this Term Sheet.

**Continuing Conditions to Availability under CCAA Interim Financing Facility:**

In addition to those covenants set out elsewhere in this Term Sheet and in the Bank CCAA Security, and other documentation executed or to be executed by each of the Borrower and Guarantors in favour of the Bank, each of the Borrower and Guarantors agree that the following are continuing conditions to the availability of the CCAA Interim Financing Facility (and further covenant not to take any actions such that any such conditions are violated):

1. no motion for leave to appeal the Initial CCAA Order or Related Orders shall have been made or an intention to do so communicated in writing;
2. no motion to amend, vary or stay the Initial CCAA Order or Related Orders shall have been made or an intention to do so communicated in writing;
3. the stay of proceedings provided by the Initial CCAA Order (and Related Orders, if any) shall remain in effect pursuant to stay extension orders that are in form and substance satisfactory to the Bank;
4. none of the Borrower or Guarantors shall request, obtain or consent to any reversal, stay, modification, amendment or any variation, of the Initial CCAA Order, that results in a Material Adverse Change, without the prior written consent of the Bank;
5. each of the Borrower and Guarantors shall provide the Bank with at least two business days advance notice of all court filings made by it, together with copies of all related court materials, and shall provide the Bank with notice of all court filings that any other person intends to make, as indicated in any way to any of the Borrower and Guarantors by such person, as soon as reasonably practicable after obtaining knowledge of such intended filings;
6. each of the Borrower and Guarantors shall only use the CCAA Interim Financing Facility for purposes set out in this Term Sheet, unless otherwise agreed to in writing by the Bank;
7. the Bank continuing to be named as additional insureds and loss payees on the casualty insurance policies of the Borrower and Guarantors, including insurance with respect to any real property;
8. no Material Adverse Change shall have occurred;
9. there shall have been no breach of any covenant or other obligation of the Borrower and Guarantors under or in connection with this Term Sheet; and

10. all representations and warranties of the Borrower and Guarantors under this Term Sheet shall be true and correct.

The Borrower shall be deemed to have represented and warranted to the Bank, each time the Borrower accepts credit from the Bank under this Term Sheet, that, at such time, all the foregoing conditions have been satisfied or fulfilled.

**Default** - In addition to the events of default set out in the Bank CCAA Security, the following additional events shall each constitute an “**Event of Default**”:

1. if the Initial CCAA Order is varied without the written consent of the Bank or any other order is made that is not satisfactory to and consented to by the Bank acting reasonably, or is or may be prejudicial to the Bank’s interests;
2. if the stay of proceedings contained in the Initial CCAA Order, or any extended stay of proceedings, is terminated or lifted;
3. if the Borrower or a Guarantor fails to comply with the Initial CCAA Order, a Related Order or any other order ancillary thereto;
4. if the Borrower or any Guarantor fails to observe or perform any covenant, condition or agreement on its part to be observed or performed as set out herein or in any Bank CCAA Security;
5. if the Borrower, any Guarantor or any of their respective employees, agents, directors or officers has made or furnished to the Bank a statement, representation or warranty which is incorrect, false or misleading in any material respect;
6. if there is default and/or non-compliance under any other term, condition or covenant of this Term Sheet or the Bank CCAA Security;
7. the seeking or support by any member of the Puratone Group of any court order (in the CCAA Proceedings or otherwise) which is adverse or potentially adverse to the interests of the Bank;
8. the issuance of any order in the CCAA Proceedings which is adverse in any material respect to the interests of the Bank (including, without limitation, as to the amount of the Existing Puratone Loan Obligations as acknowledged and agreed herein);
9. the issuance of any court order lifting or granting relief from the stay of proceedings in, or discontinuing, the CCAA Proceedings or the issuance of any court order staying, reversing, vacating or otherwise modifying the terms of the CCAA Interim Financing Facility or the CCAA Interim Financing Charge;
10. the initiation of any challenge to the validity, perfection, priority or enforceability of the CCAA Interim Financing Charge, the CCAA Interim Financing Facility, the Bank CCAA Security or the Bank’s rights and interests; or



11. if, in the opinion of the Bank, there occurs, or may occur, any Material Adverse Change.

For greater certainty, commencement of a Liquidation Process shall not constitute an Event of Default.

**Remedies** - On the CCAA Facility Termination Date, any right of the Borrower to receive any advance or other accommodation of credit from the Bank pursuant to the CCAA Interim Financing Facility and this Term Sheet generally shall be immediately terminated and any further advances made, if any, thereafter shall be in the sole discretion of the Bank.

Upon the occurrence of and during the continuance of an Event of Default, the Bank may, upon two (2) days' notice (but only to the extent that such notice is required by the Initial CCAA Order) given by the Bank to the Borrower and Guarantors [by email to their solicitors (Taylor McCaffrey LLP, N.K. Snyder at nksnyder@tmlawyers.com) together with a copy to the Borrower and Guarantors at the Notice address hereinafter set out] and the Monitor [by email to Steven Peleck (from Deloitte & Touche Inc.) at speleck@deloitte.ca], declare all obligations hereunder to be immediately due and payable and, in either case, the Bank may then:

- (a) exercise any and all of the rights and remedies under or pursuant to this Term Sheet and the Bank CCAA Security and realize upon all or any part of the Bank CCAA Security; and
- (b) take such actions and commence such proceedings as may be permitted at law or in equity (whether or not provided for in this Term Sheet or the Bank CCAA Security) at such times and in such manner as the Bank in its sole discretion may consider expedient,

all without any additional notice, presentment, demand, protest, notice of protest, dishonour or any other action except as required by law. The rights and remedies of the Bank hereunder are cumulative and are in addition to and not in substitution for any other rights or remedies provided by Applicable Law or by any of this Term Sheet and the Bank CCAA Security.

Without limiting the foregoing, the Bank shall be entitled, in addition to all other remedies at law under any security or other agreement, to exercise its rights to notify and direct account debtors of the Borrower and Guarantors to pay accounts receivable directly to the Bank, to sweep blocked accounts subject to cash management and any cash collateral accounts, if any, on a daily basis and to apply any credit balance in such blocked accounts or cash collateral accounts against any outstanding indebtedness owing to the Bank in such order as the Bank deems fit. In addition, on the CCAA Facility Termination Date, all debts, liabilities of the Borrower to the Bank shall become immediately due and payable.

Without limiting the foregoing, on the CCAA Facility Termination Date, subject to any requirement to seek leave of the Court set out in the Initial CCAA Order or Related Orders, the Bank shall have the right to exercise all other customary remedies under the Bank CCAA Security and Applicable Law, including, without limitation, the right to realize on all collateral

and the collateral securing the liabilities and obligations of the Borrower and Guarantors to the Bank, without the necessity of obtaining further relief or order from any court.

For greater certainty but subject to any operative Order issued in the CCAA Proceedings, on the date the Bank becomes entitled to exercise any and all of the rights and remedies under or pursuant to this Term Sheet and the Bank CCAA Security and realize upon all or any part of the Bank CCAA Security, the Bank may declare all Existing Puratone Loan Obligations to be immediately due and payable and the Bank may then:

- (a) exercise any and all of the rights and remedies under or pursuant to the Original Puratone Term Sheet and the security held by the Bank in relation to the Original Puratone Term Sheet and realize upon all or any part of such security; and
- (b) take such actions and commence such proceedings as may be permitted at law or in equity (whether or not provided for in the Original Puratone Term Sheet or the security held by the Bank in relation thereto) at such times and in such manner as the Bank in its sole discretion may consider expedient,

all without any additional notice, presentment, demand, protest, notice of protest, dishonour or any other action except as required by law. Such rights and remedies of the Bank are cumulative and are in addition to and not in substitution for any other rights or remedies provided by Applicable Law or by any of the Original Puratone Term Sheet and the security held by the Bank in relation thereto.

For greater certainty, nothing shall prevent the Bank from applying to the Court or a Related Court, on two days' notice, or such shorter notice as the court may permit, for such relief as the Bank may determine is necessary or appropriate, prior to or following the CCAA Facility Termination Date.

**Expenses** - The Borrower shall pay all of the Bank's costs and expenses, including those incurred for due diligence, transportation, computers, copying, appraisals, audits, insurance, consultants, searches, filing and recording fees, collateral auditing fees and all other out-of-pocket costs and expenses incurred by the Bank (including the fees and expenses of its legal counsel). The Borrower shall also pay the costs and expenses of the Bank in connection with any enforcement. All such costs and expense, if not immediately paid by the Borrower upon demand, may be debited to any account of the Borrower with the Bank and shall be secured by the CCAA Interim Financing Charge.

**Indemnity** - The Borrower and Guarantors indemnify and hold harmless the Bank, its affiliates and its officers, directors, employees, agents and advisors (each, an "**Indemnified Person**") from the against any and all suits, actions, proceedings, orders, claims, damages, losses, liabilities and expenses (including legal fees and disbursements and other costs of investigation or defense, including those incurred upon any appeal) that may be instituted or asserted against or incurred by any such Indemnified Person as a result of or in connection with credit having been extended, suspended or terminated under or in relation to the CCAA Interim Financing Facility, or the use of the proceeds thereof, and the administration of such credit, and in connection with or arising out of the transactions contemplated hereunder and any actions or

failures to act in connection therewith, including the taking of any enforcement actions by the Bank, and including any and all environmental liabilities and legal cost and expenses arising out of or incurred in connection with disputes between or among any parties hereto. All such indemnified amounts, if not immediately paid by the Borrower upon demand, shall be secured by the CCAA Interim Financing Charge.

**Mandatory Prepayments** - The Borrower will be required to make the following additional payments: (i) any excess of the aggregate borrowings under the CCAA Interim Financing Facility during any week that exceeds the forecasted borrowing requirements set forth in the Cash Flow Budget, as a result of currency fluctuations or otherwise; (ii) the amount of any receipts by the Borrower and/or the Guarantors on account of extraordinary items (for example only and without limitation, Ag-Stability payments from Canada, monies from the sale of ownership or other interests in other companies and any other receipts not contemplated by the Cash Flow Budget or considered as extraordinary); (iii) 100% of the Net Proceeds from any insurance proceeds arising from the loss of inventory or other property to be paid within two business days of receipt; and (iv) 100% of the Net Proceeds from the disposition of redundant or non-material assets permitted hereunder. All such mandatory payment amounts shall also constitute permanent reductions to the maximum principal amount available under the CCAA Interim Financing Facility. The Borrower shall immediately make any payments required to eliminate any amount by which the principal amount outstanding at any time under the CCAA Interim Financing Facility exceeds the maximum principal amount available thereunder at such time.

**Interest Calculation and Payment** - Interest shall be computed on the basis of a three hundred and sixty five (365) day year (or a three hundred and sixty six (366) day year for leap years) and shall be calculated and payable monthly in arrears on the last business day of each month.

Interest payable on the CCAA Interim Financing Facility, or any part thereof, shall be payable both before and after demand and/or the CCAA Facility Termination Date and before and after default and/or judgment, if any, until full payment thereof, and interest shall accrue on overdue interest, if any, at the rates set out below.

All outstanding amounts under this Term Sheet shall bear interest at the rates set out herein and may be subject to certain fees as determined by the Bank from time to time.

Any interest rate based on a period less than a year expressed as an annual rate for the purposes of the *Interest Act (Canada)* is equivalent to such determined rate multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by the number of days in the period upon which it was based.

All interest payments shall be made without allowance or deduction for deemed reinvestment or otherwise, both before and after maturity and before and after default and judgment and such interest shall be calculated using the nominal rate method, not the effective rate method.

Interest on Prime based loans is calculated daily and payable monthly in arrears based on the number of days the subject loan is outstanding.

All overdue amounts of principal and interest shall bear interest from the date on which the same became due until the date of payment at the applicable Interest Rate plus an additional 2% per annum.

**Currency Indemnity** - U\$ loans must be repaid with U\$ and C\$ loans must be repaid with C\$, and the Borrower shall indemnify the Bank for any loss suffered by the Bank if the U\$ loans are repaid with C\$ or vice versa, whether such payment is made pursuant to an order of a court or otherwise.

**Indebtedness** - The Borrower acknowledges that the actual recording of the amount of any Advance or repayment thereof under the CCAA Interim Financing Facility and interest, fees and other amounts due in connection with such CCAA Interim Financing Facility, in the accounts of the Borrower maintained by the Bank, shall constitute *prima facie* evidence of the Borrower's indebtedness and liability from time to time under this Term Sheet; provided that the obligation of the Borrower to pay or repay any indebtedness and liability in accordance with the terms and conditions of this Term Sheet shall not be affected by the failure of the Bank to make such recording.

**Payments** - All payments to be made hereunder shall be made free of any set off and in immediately available funds to the Bank at its Winnipeg Main Office at 335 Main Street, Winnipeg, Manitoba R3C 1C2.

**Application of Payments** - Each payment under this Term Sheet prior to an Event of Default shall be applied first in payment of costs and expenses, then interest, fees and the balance, if any, shall be applied in reduction of principal. If an Event of Default shall occur and be continuing, all payments made by the Borrower and its Guarantors hereunder shall be applied in the following order:

- (a) To amounts due hereunder as costs and expenses;
- (b) To amounts due hereunder as default interest;
- (c) To amounts due hereunder as interest;
- (d) To amounts due hereunder as fees;
- (e) To amounts due hereunder as principal; and
- (f) To any amounts remaining, to the Borrower or as otherwise required by Applicable Law.

#### **PART FIVE - REPRESENTATIONS AND WARRANTIES:**

The Borrower and Guarantors jointly and severally represent and warrant to the Bank that:

1. Each of the Borrower and the Guarantors have been duly incorporated and are in good standing in the Province of Manitoba and that each of the Borrower and the Guarantors has the powers, permits, and licenses required to operate its business or enterprise and to own, manage, and administer its property;
2. This Term Sheet and all existing Bank CCAA Security is, and when executed by the Borrower and/or Guarantors the new Bank CCAA Security will be, valid, binding and legally enforceable against the Borrower and the Guarantors in accordance with their respective terms, except to the extent that the enforcement thereof may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditor's rights generally and that specific performance and other equitable remedies are subject to the discretion of the courts to which such remedy is sought;
3. The Borrower and the Guarantors each have all requisite power, authority and capacity to execute and deliver this Term Sheet and the Bank CCAA Security and to perform their respective obligations hereunder and thereunder;
4. The Borrower and the Guarantors have good, valid and marketable title to all of their property and assets;
5. The Borrower and the Guarantors are in compliance with the provisions of all federal, provincial, state, local and other laws, codes and ordinances (including, without limitation, environmental, health and safety laws, codes and ordinances) and all rules and regulations formulated thereunder;
6. There are no actions, suits or proceedings pending or threatened against the Borrower or the Guarantors, or affecting any property owned by the Borrower the Guarantors, before any court or governmental department, commission, board or agency which, if determined adversely, would result in a Material Adverse Change - provided that the Bank acknowledges disclosure of the Existing Actions and confirms such Existing Actions shall not constitute a breach of this representation;
7. Any taxes, assessments, deductions at source, income taxes or other levies, the payment of which is secured by a legal privilege, prior claim, or legal hypothec have been paid by the Borrower and the Guarantors without subrogation or consolidation;
8. There exists no default or event of default under this Term Sheet, the CCAA Interim Financing Facility hereunder or the Bank CCAA Security by the Borrower and/or Guarantors; and
9. All statements (whether financial or otherwise), information, reports, budgets, forecasts and projections made available by the Borrower, Guarantors or anyone on their behalf to the Bank are true, complete and accurate (as of the effective dates thereof) in all respects and do not omit any information necessary to make them true, complete and accurate (as of the effective dates thereof) in all respects.

The representations and warranties contained above shall survive the execution and delivery of this Term Sheet and the making of each drawdown under the CCAA Interim Financing Facility, notwithstanding any investigations or examinations that may be made by the Bank or counsel to the Bank.

**PART SIX - COVENANTS (Positive, Negative and Financial):**

**Positive Covenants** - So long as any loans or commitments hereunder remain outstanding, the Borrower shall and shall cause each of the Guarantors to (and each of the Guarantors also agrees to):

1. Comply with the terms, conditions and provisions of the Court approved CCAA Plan of Arrangement applicable to the Borrower and the Guarantors;
2. Subject to the Initial CCAA Order and all Related Orders, carry on business and operations in accordance with good practices consistent with accepted industry standards and pursuant to applicable agreements, regulations, and laws in the same industry in which it is currently carrying on business;
3. Proceed diligently to find investors to purchase or invest in the business and operations of the Borrower and Guarantors as a going concern - PROVIDED THAT the Borrower shall continuously keep the Bank informed of all material developments;
4. At all times permit and facilitate timely and unrestricted access by the Bank to the Monitor and its advisors;
5. Cause to be paid all amounts of principal, interests, fees and costs due to the Bank on the dates, times and place specified herein;
6. Maintain corporate existence and comply with all Applicable Laws;
7. Subject to the Initial CCAA Order and all Related Orders. pay, when due, all taxes, assessments, deductions at source, income tax or levies for which the payment is guaranteed by legal privilege, prior claim, or legal hypothec, without subrogation or consolidation;
8. Subject to the Initial CCAA Order and all Related Orders, comply with all regulatory bodies and provisions regarding environmental procedures and controls;
9. Allow the Bank access to visit and inspect the assets, property and premises of the Borrower and the Guarantors (subject to the Borrower's policies on bio-security);
10. Maintain adequate and appropriate insurance on the Borrower's and Guarantors' assets, having the Bank named as first loss payee under such policies covering inventories and other tangible real and personal property;

11. Inform the Bank of any event or action which would or could result in a Material Adverse Change, including but not limited to the sale of assets, guarantees, funded debt from other lenders, or alteration of type of business;
12. Keep and maintain books of account and other accounting records in accordance with GAAP;
13. Provide all materials as requested under the Reporting Requirements detailed below;
14. Provide the Bank with information and financial data as it may request from time to time;
15. Maintain all of the Borrower's and Guarantors' property, plants, assets and equipment in good repair and working condition;
16. Provide such reasonable additional security, information and documentation as may be requested by the Bank or its solicitors from time to time;
17. Notify the Bank of any material litigation commenced or threatened against the Borrower or any Guarantor;
18. At all times remain and take all actions necessary or available to ensure that each member of the Puratone Group at all times remains in compliance with all Orders issued by the CCAA Court in the CCAA Proceedings, without amendment or extension of any kind;
19. Take all actions necessary or available to defend the Initial CCAA Order from any appeal, reversal, modification, amendment, stay or vacating not expressly consented to in advance by the Bank; and
20. Forthwith upon the request of the Bank, bring one or more motions on notice to any creditor that has a registered security interest in the property of the Puratone Group or who otherwise claims an interest in such property, for an order in form and substance satisfactory to the Bank declaring that the CCAA Interim Financing Charge has priority over such creditor's interest in such property.

**Negative Covenants** - The Borrower hereby agrees (and the Guarantors also agree) with the Bank that, unless the Bank shall have given prior written approval, it shall not nor shall it permit any of the Guarantors, so long as any loans or commitments hereunder remain outstanding, to:

1. Do anything which is not in compliance with, or otherwise breaches, the terms, conditions and provisions of the Court approved CCAA Plan of Arrangement applicable to the Borrower and the Guarantors;

2. Guarantee or act as surety or agree to indemnify the debts of others, or incur or create any further or additional indebtedness, other than as permitted by the Initial CCAA Order or in writing by the Bank;
3. Lend money to or invest money in any person, firm, joint venture, partnership, company or corporation whether by way of loan, acquisition of shares, acquisition of debt obligations or in any other way whatsoever without prior written consent from the Bank;
4. Merge, amalgamate or acquire any other corporation or its assets;
5. Permit any liens or other encumbrances on their property other than Permitted CCAA Encumbrances;
6. Sell, lease, assign, transfer, convey or otherwise dispose of, or permit any of the Guarantors to sell, lease, assign, transfer or otherwise dispose of, the property or assets secured by the Bank CCAA Security except (i) in the ordinary course of business, or (ii) redundant or non-material assets not exceeding \$100,000.00 in any one transfer or \$500,000.00 in the aggregate, or (iii) made in compliance with the Initial CCAA Order, or (iv) with the Bank's prior written consent;
7. Cease to carry on the business currently being carried on by the Borrower and Guarantors at the date hereof;
8. Make any payments of principal or interest on any debt except to the Bank as required by this Term Sheet and as may be specifically permitted by the terms, conditions and provisions of the Court approved CCAA Plan of Arrangement applicable to the Borrower and the Guarantors;
9. Pay or make any dividends, share redemptions and/or other shareholder distributions;
10. Make any material capital expenditures not stipulated in the Cash Flow Budget approved by the Bank;
11. Make any expenditures inconsistent with the most recently delivered Cash Flow Budget approved by the Bank from time to time;
12. Contest, challenge or in any way oppose (or support any other person in contesting, challenging or opposing): (i) the amount of the Bank's claim for the Existing Puratone Loan Obligations as acknowledged and agreed pursuant to this Term Sheet, together with all other amounts that may become due or payable in respect of the Existing Puratone Loan Obligations after September 7, 2012; and (ii) the validity and enforceability of the Existing Puratone Loan Obligations, the existing security documents held by the Bank in relation thereto or of any other agreements and documents relating thereto; and



13. Enter into any future grain and hog hedging programs with third party Brokers unless the Borrower's shareholders fully fund and backstop all margin deposits and any related margin calls.

#### **PART SEVEN - REPORTING REQUIREMENTS:**

The Borrower shall deliver or cause to be delivered to the Bank, the following:

1. weekly by no later than 5:00 p.m. EST each Wednesday following the making of the Initial CCAA Order and prior to and as a requirement for the making of any advance hereunder, an updated Cash Flow Budget in form and substance satisfactory to and approved by the Bank together with (i) a comparison prepared by the Borrower with the assistance of the Monitor of the previous weeks forecast to actual results, and (ii) an explanation of the differences;
2. forthwith, notice of any breach of covenant or other obligation of the Borrower or Guarantors under or in connection with this Term Sheet;
3. forthwith, notice of any Material Adverse Change in the operations, financial condition or business prospects of the Borrower or Guarantors;
4. forthwith, notice of any investigation, proceeding, order, claim or notice by any governmental agency with respect to any violation or alleged violation of Applicable Laws;
5. all reporting required under the Original Puratone Term Sheet;
6. on a timely basis at the request of the Bank, host conference calls and/or meetings to provide the Bank with updates relating to its business, the CCAA Proceedings or other reasonably requested information; and
7. such further reports and information as the Bank may request from time to time.

In addition, the Borrower shall forthwith upon receipt deliver to the Bank copies of all pleadings, motions, applications, judicial information, financial information, and other document filed by or on behalf of the Borrower or Guarantors with the Court or any Related Court, or distributed by or on behalf of the Borrower or Guarantors to the Monitor or any other person and all reports prepared by the Monitor and such other reports and information respecting the business, financial condition or prospects of the Borrower and Guarantors, on a confidential basis, as the Bank may, from time to time, request. All reports and financial statements shall be in form and substance satisfactory to the Bank, acting reasonably.

#### **PART EIGHT - GENERAL:**

1. **Set Off** - The Bank shall have the right to set off and apply any funds of the Borrower deposited with or held by the Bank from time to time, and any other indebtedness at any time owing to the Borrower by the Bank, against any of the amounts outstanding hereunder from time to time.
2. **Governing Law** - This Term Sheet shall be governed and construed in accordance with the laws of the Province of Manitoba and the federal laws of Canada from time to time applicable therein.
3. **No Obligation** - Upon the occurrence of an Event of Default, the Bank shall have no obligation or liability to make any advances hereunder after any remedy period.
4. **Personal Property Security Act Requirement** - Each of the Borrower and the Guarantors hereby waives on its behalf and on behalf of all of the Guarantors, the requirement for the Bank to provide copies of PPSA registrations, verification statements or financing statements undertaken by the Bank.
5. **Time** - Time is of the essence.
6. **Further Assurances** - The Borrower shall do or cause to be done all things and execute or cause to be executed all documents deemed necessary or appropriate by the Bank and its counsel for the purposes of giving full force and effect to the terms, conditions, undertakings and Security granted or to be granted hereunder.
7. **Term Sheet Paramount** - When a contradiction exists between the Bank CCAA Security or any other document or agreement between the Bank and the Borrower or any of the Guarantors, and this Term Sheet, this Term Sheet will be the operative document. Notwithstanding the foregoing, if there is any right or remedy of the Bank set out in any of the Bank CCAA Security or any part of which is not set out or provided for in this Term Sheet, such additional rights shall not constitute a conflict or inconsistency.
8. **Assignment** - No rights or obligations of the Borrower or any of the Guarantors hereunder and no amount of the CCAA Interim Financing Facility may be transferred or assigned by the Borrower or any of the Guarantors, any such transfer or assignment being null and void insofar as the Bank is concerned and rendering any balance then outstanding hereunder immediately due and payable at the option of the Bank and releasing the Bank from any obligations of making further advances hereunder.
9. **Acknowledgement** - The Borrower and the Guarantors acknowledge that, the CCAA Interim Financing Facility contained herein and all accounts held with the Bank in the name of the Borrower, are for use by the Borrower and will be used for the Borrower's business purposes only.
10. **Recitals** - The Recitals of this Term Sheet forms an integral part hereof.

11. **Notices** - All notices, requests and demands and other communications hereunder shall be in writing and shall be furnished to the parties at the addresses listed below. Notices shall be given by personal delivery or transmitted by telecopier and shall be deemed to be received on the business day of receipt (unless such delivery or transmission is received after 2:00 p.m. Winnipeg time, in which case it shall be deemed to have been received on the following business day):

**To the Borrower and Guarantors:**

The Puratone Corporation  
 Box 460  
 Niverville, MB R0A 1E0

Attn: Larry Johnson, CFO  
 Fax: (204) 388-0037

**To the Bank:**

Bank of Montreal  
 First Canadian Place  
 100 King Street West, 7<sup>th</sup> Floor  
 Toronto, Ontario, M5X 1A1

Attn: Greg Fedoryn  
 Fax: (905) 643-1623

The Borrower hereby agrees to forthwith provide the Bank with written notice of a change in name or address of itself, the Guarantors or any of the Guarantors.

*PART NINE (Offer and Acceptance) appears on the next page.  
 The remainder of this page is intentionally left blank.*

**PART NINE - OFFER AND ACCEPTANCE:**

The terms and conditions outlined in this Term Sheet are open for acceptance until September 12, 2012 at 5:00 p.m. EST, after which these terms and conditions (if not accepted) are null and void. Kindly acknowledge your acceptance by signing and returning this Term Sheet.

Yours truly,

**BANK OF MONTREAL**

Per: \_\_\_\_\_  
Greg W. Fedoryn, Senior Account Manager

Acknowledged and Accepted this \_\_\_\_\_ day of September, 2012.

**THE PURATONE CORPORATION**

Per: \_\_\_\_\_  
Ray Hildebrand, CEO

Per: \_\_\_\_\_  
Larry Johnson, CFO

**NIVERVILLE SWINE BREEDERS LTD.**

**PEMBINA VALLEY PIGS LTD.**

Per: \_\_\_\_\_  
Ray Hildebrand, CEO

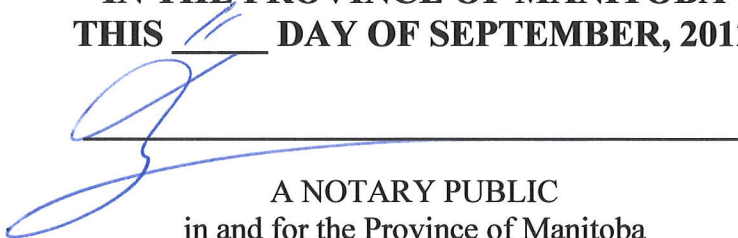
Per: \_\_\_\_\_  
Ray Hildebrand, CEO

Per: \_\_\_\_\_  
Larry Johnson, CFO

Per: \_\_\_\_\_  
Larry Johnson, CFO

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**THIS IS EXHIBIT "39" REFERRED TO IN THE  
AFFIDAVIT OF RAYMOND ALAN HILDEBRAND  
SWORN BEFORE ME AT THE CITY OF WINNIPEG  
IN THE PROVINCE OF MANITOBA  
THIS 11 DAY OF SEPTEMBER, 2012**



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

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**POLICIES**  
**Must be returned if not required**

-----  
ACCEPTANCE OF THIS DOCUMENT SIGNIFIES  
THAT THIS INSURANCE IS REQUIRED.

ENCON Group Inc.  
500 - 1400 Blair Place  
Ottawa, Ontario K1J 9B8  
Telephone 613-786-2000  
Facsimile 613-786-2001  
Toll Free 800-267-6684  
www.encon.ca

# Policy

## Private Company

### Management Liability Insurance

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POLICY NUMBER: PV-375703 REPLACING POLICY: PV-360514  
CLIENT NUMBER: 241416 BROKER: LAKEVIEW INSURANCE BROKERS LTD

#### DECLARATIONS

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1. CORPORATION: THE PURATONE CORPORATION
2. Address: BOX 460  
NIVERVILLE MB R0A 1E0
3. POLICY PERIOD: 06 August 2010 to 06 August 2011  
at 00:01 local time at the address  
shown above without tacit renewal
4. Limits of Liability: \$ 5,000,000 per CLAIM  
\$ 5,000,000 per POLICY PERIOD
5. Retention: \$ 25,000 per CLAIM with respect to  
Insuring Agreements C and D
6. Premium: \$ 23,265  
  
\* All amounts shown in Canadian Dollars
7. Continuity Date: 06 July 1999  
(as per ORIGINAL POLICY, Definition Q of Section II)
8. These Declarations, together with the statements made in the application  
for this insurance, form an integral part of the attached policy  
( Form EIM-PV-0699 ).
9. Endorsements forming part of this policy at issuance: 1 to 22
10. INSURERS: Continental Casualty Company (CNA) 40.0%  
Temple Insurance Company 25.0%  
XL Reinsurance America Inc. 20.0%  
Aviva Insurance Company of Canada 15.0%

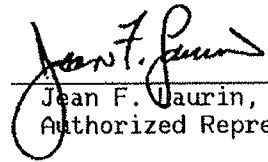
It is agreed that the above INSURERS are binding themselves, severally and not jointly, up to the extent of their above proportion only.

For purposes of the Insurance Companies Act (Canada), this document was issued in the course of the subscribing INSURERS' insurance business in Canada.

Insurance Manager: ENCON Group Inc.  
500-1400 Blair Place  
Ottawa, Ontario K1J 9B8

The INSURERS have duly authorized ENCON Group Inc. to execute and sign this policy on their behalf.

DATED: 27 August 2010

  
\_\_\_\_\_  
Jean F. Laurin, President  
Authorized Representative



ENCON Group Inc.  
500-1400 Blair Place  
Ottawa, Ontario K1J 9B8  
Telephone 613-786-2000  
Facsimile 613-786-2001  
Toll Free 800-267-6684  
www.encon.ca

# Policy

## Private Company Management Liability Insurance Policy

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### SECTION I – INSURING AGREEMENTS

The INSURER, in consideration of the payment of premium, in reliance upon the attachments to and the statements made in the application for this insurance which is made a part thereof and subject to all of the terms and conditions of this policy, agrees as follows:

#### A. Directors and Officers Liability

With the INSURED PERSONS to pay on their behalf all LOSS that they may become legally obligated to pay as a result of a CLAIM for a D&O WRONGFUL ACT for which the CORPORATION is not permitted to indemnify them.

#### B. Outside Directorship Liability

With the INSURED PERSONS to pay on their behalf all LOSS that they may become legally obligated to pay as a result of a CLAIM for an OUTSIDE DIRECTORSHIP WRONGFUL ACT for which the CORPORATION or an outside entity is not permitted to indemnify them.

#### C. Entity Coverage

With the CORPORATION to pay on its behalf:

1. all LOSS that the CORPORATION is permitted to indemnify the INSURED PERSONS as a result of a CLAIM for a D&O WRONGFUL ACT or an OUTSIDE DIRECTORSHIP WRONGFUL ACT;
2. all DEFENCE COSTS incurred in defending the CORPORATION in a CLAIM against the INSURED PERSONS for a D&O WRONGFUL ACT when the CLAIM is made against both the INSURED PERSONS and the CORPORATION.

#### D. Employment Practices Liability

With the INSUREDS to pay on their behalf all LOSS that they may become legally obligated to pay as a result of a CLAIM for an EMPLOYMENT PRACTICES WRONGFUL ACT.

#### E. Fiduciary Liability

With the INSUREDS to pay on their behalf all LOSS that they may become legally obligated to pay as a result of a CLAIM for a FIDUCIARY WRONGFUL ACT.

#### F. Penal Defence Cost Reimbursement

With the INSUREDS to reimburse the INSUREDS for the DEFENCE COSTS incurred in defending CLAIMS made against the INSURED PERSONS for penal offences in respect of charges first laid in Canada or the United States if the defence of same proves to be fully successful. For the purposes of this clause, "fully successful" means acquittal, the return of a "not guilty" verdict or the withdrawal of charges. The aggregate limit of liability under this clause shall be included in the aggregate limit of liability as stated in the Declarations and shall be the lesser of such limit or \$1,000,000 each POLICY PERIOD.

#### G. Professional Services

With the EMPLOYEES to pay on their behalf all LOSS that they may become legally obligated to pay as a result of a CLAIM for a PROFESSIONAL SERVICES WRONGFUL ACT first brought within the territorial limits and jurisdiction of Canada. The aggregate limit of liability under this clause shall be included in the aggregate limit of liability as stated in the Declarations and shall be the lesser of such limit or \$1,000,000 each POLICY PERIOD.

#### H. Defence

With the INSUREDS to have the duty and right to defend any CLAIM made against the INSUREDS seeking DAMAGES payable under this policy, except that where such CLAIM is brought outside of Canada or the United States, the INSURER may at its sole discretion direct the INSUREDS to conduct their own defence.

This policy applies only to CLAIMS first made against the INSUREDS during the POLICY PERIOD and then only if reported to ENCON as outlined in Section VII. It is a presumption under this policy that the CORPORATION or outside entity shall be permitted to provide indemnification to the INSURED PERSONS to the fullest extent permitted by law.



## SECTION II – DEFINITIONS

- A. "BENEFIT PLAN" means:
1. any employee pension plan or employee welfare benefit plan which, at the inception date of the policy, is operated solely by the CORPORATION, or jointly by the CORPORATION and a labour organization for the benefit of the EMPLOYEES of the CORPORATION;
  2. any medical, dental, life and accident or employee profit sharing plan which, at the inception date of the policy, is sponsored by the CORPORATION, except any multi-employer plan;
  3. any BENEFIT PLAN acquired or created during the POLICY PERIOD but only with respect to FIDUCIARY WRONGFUL ACTS occurring subsequent to the date of such acquisition or creation.
- B. "CLAIM" means written or oral notice received by an INSURED from any party that it is the intention of such party to hold the INSURED responsible for a WRONGFUL ACT.
- C. "CONTROL CHANGE" means:
1. the acquisition by another entity or person (or group of entities or persons acting in concert) of the ownership or control of voting stock of the CORPORATION named in the Declarations resulting in the ownership or control of more than fifty per cent (50%) of the voting stock of the CORPORATION;
  2. the merger or consolidation of the CORPORATION with another entity such that the CORPORATION is not the surviving entity;
  3. the change in status of the CORPORATION from a private entity to a publicly traded entity.
- D. "CORPORATION" means:
1. the CORPORATION named in the Declarations;
  2. any SUBSIDIARY at the inception date of the policy;
  3. any former SUBSIDIARY but coverage is only afforded with respect to WRONGFUL ACTS occurring during its currency as a subsidiary;
  4. any SUBSIDIARY acquired or created after the inception date of this policy on condition that:
    - (a) written notice together with full information thereof, is provided to ENCON within ninety (90) days of the acquisition or creation of any new SUBSIDIARY whose total consolidated assets exceed twenty per cent (20%) of the total consolidated assets of the CORPORATION as reflected in the CORPORATION'S most recent audited consolidated financial statements prior to such acquisition or creation;
    - (b) coverage shall apply only to WRONGFUL ACTS occurring subsequent to the effective date of such acquisition unless the INSURER agrees, after presentation of a complete application and all appropriate information, to provide coverage by endorsement for WRONGFUL ACTS occurring prior to such acquisition;
    - (c) an additional premium as may be required by the INSURER be paid.
- E. "D&O WRONGFUL ACT" means any actual or alleged defamation, breach of duty, neglect, error, misstatement, misrepresentation, omission or other act done or attempted by the INSURED PERSONS in the discharge of their duties solely in their capacity as directors or officers of the CORPORATION or any matter claimed against them solely by reason of their status as INSURED PERSONS.
- F. "DAMAGES" means compensatory damages which the INSURED are legally obligated to pay as a result of a judgement or settlement including pre-judgement and post-judgement interest.
- G. "DEFENCE COSTS" means legal, accounting, adjusting or investigating expenses incurred for the defence of CLAIMS seeking DAMAGES payable under the terms of this policy.
- H. "EMPLOYEE" means any past, present or future individual performing the duties of employment for the CORPORATION.
- I. "EMPLOYMENT PRACTICES WRONGFUL ACT" means any actual or alleged:
1. wrongful termination of the employment of or demotion of or failure to promote any EMPLOYEE;
  2. discrimination or harassment adversely affecting any EMPLOYEE or applicant for employment with the CORPORATION;
  3. employment related misrepresentation or wrongful discipline or negligent employee evaluation;
  4. retaliatory treatment against an EMPLOYEE of the CORPORATION on account of such EMPLOYEE'S exercise of his/her rights under law;
  5. discrimination or harassment with respect to any past, present or prospective customers or clients of the CORPORATION.
- J. "ENCON" means the insurance manager whose name and address appear in the Declarations which is authorized to be the agent of the INSURER. ENCON is not a party to this contract of insurance.

- K. "FIDUCIARY" means any past, present and future directors, officers and EMPLOYEES of the CORPORATION, any pension committee members, trustees, the BENEFIT PLAN and the CORPORATION.
- L. "FIDUCIARY WRONGFUL ACT" means any actual or alleged act, error or omission arising out of the management or administration of a BENEFIT PLAN.
- M. "INSURED" means any INSURED PERSON, FIDUCIARY and the CORPORATION including the estates, heirs, legal representatives or assigns of any deceased, incompetent, insolvent or bankrupt INSURED PERSON.
- N. "INSURED PERSON" means:
1. any past, present and future duly elected or appointed director or officer of the CORPORATION;
  2. any EMPLOYEE of the CORPORATION only if and to the extent a CLAIM is made against him/her for an EMPLOYMENT PRACTICES WRONGFUL ACT or an OUTSIDE DIRECTORSHIP WRONGFUL ACT;
  3. any FIDUCIARY of the CORPORATION only if and to the extent a CLAIM is made against him/her for a FIDUCIARY WRONGFUL ACT.
- O. "INSURER" means the insurance companies whose names appear in the Declarations.
- P. "LOSS" means DAMAGES and DEFENCE COSTS resulting from a CLAIM for which coverage is provided by this policy. "LOSS" does not include fines, penalties, punitive, exemplary or multiplied damages except that "LOSS" shall include punitive or exemplary damages:
1. awarded in Canada if insurable by law under which this policy is construed, that an INSURED PERSON is legally obligated to pay,
  2. awarded in the United States if insurable under the law to which this policy is construed, that an INSURED PERSON is legally obligated to pay up to an amount not to exceed \$1,000,000 in the aggregate, each POLICY PERIOD, which amount shall be included in the aggregate limit of liability as stated in the Declarations.
- Q. "ORIGINAL POLICY" means the first policy purchased by the CORPORATION providing coverage of a similar nature to this policy (each Insuring Agreement is considered separately) and which has continued through renewal or reinstatement on an uninterrupted basis since its inception.
- R. "OUTSIDE DIRECTOR" means the position of director, officer or trustee of any legally constituted non-profit association or organization provided such position is being held at the specific request of the CORPORATION.
- S. "OUTSIDE DIRECTORSHIP WRONGFUL ACT" means a D&O WRONGFUL ACT committed by an INSURED PERSON in his/her capacity as an OUTSIDE DIRECTOR.
- T. "POLICY PERIOD" means the period from the inception date of this policy to the policy expiration date as set out in the Declarations, or a shorter period in the event the policy is cancelled.
- U. "POLLUTANTS" means any solid, liquid, gaseous or thermal irritant or contaminant including but not limited to smoke, vapours, soot, fumes, acids, alkalis, chemicals and waste reconditioned or reclaimed materials as well as any air emission, odour, waste water, oil or oil products, infectious or biological waste, asbestos or asbestos products or any noise.
- V. "PROFESSIONAL SERVICES" means duties performed for the CORPORATION by EMPLOYEES, solely in their professional capacity as lawyers, notaries, chartered accountants, certified management accountants and certified general accountants.
- W. "PROFESSIONAL SERVICES WRONGFUL ACT" means any actual or alleged act, error or omission arising out of PROFESSIONAL SERVICES.
- X. "SUBSIDIARY" means any corporation of which the CORPORATION or a SUBSIDIARY owns more than fifty per cent (50%) of the voting stock and controls more than fifty per cent (50%) of the associated votes.
- Y. "WRONGFUL ACT" means a D&O WRONGFUL ACT, an EMPLOYMENT PRACTICES WRONGFUL ACT, a FIDUCIARY WRONGFUL ACT, an OUTSIDE DIRECTORSHIP WRONGFUL ACT and/or a PROFESSIONAL SERVICES WRONGFUL ACT.

### SECTION III – EXTENSIONS

Subject to the terms, conditions and exclusions of this policy:

#### A. Discovery Period

If the INSURER cancels or refuses to renew this policy for reasons other than non-payment of the premiums due hereunder, the INSUREDS shall have the right within fifteen (15) days of the effective date of cancellation or expiry of this policy and upon payment of a premium calculated as a percentage (see below) of the "full annual premium", to an extension of the cover granted by this policy for CLAIMS made against the INSUREDS during the period of one (1) year after the effective date of cancellation or expiry of this policy, but only with respect to any WRONGFUL ACT occurring prior to the date of such cancellation or expiry.

As used herein, "full annual premium" means the premium level in effect immediately prior to the effective date of cancellation or expiry.

#### Premium Calculation:

50% if purchased following the initial policy issued by the INSURER;

40% if purchased following the second consecutive policy issued by the INSURER;

30% if purchased following the third consecutive policy issued by the INSURER;

20% if purchased following the fourth or subsequent consecutive policy issued by the INSURER.

If the Discovery Period extension is purchased, the entire premium shall be deemed earned at its commencement without any obligation by the INSURER to return any part thereof and it shall not in any way increase the limit of liability set forth in the Declarations.

The acceptance by the INSUREDS of the INSURER'S offer of a new policy relieves the INSURER of any obligation it may have had to provide Discovery Period coverage under this policy.

#### B. Run-off Period

If the CORPORATION cancels or non-renews this policy and provided no outstanding premiums are due hereunder, the INSUREDS shall have the right within fifteen (15) days of the effective date of cancellation or non-renewal and upon payment of a premium calculated at seventy five per cent (75%) of the "full annual premium", to an extension of the cover granted by this policy for CLAIMS made against the INSUREDS during the period of one (1) year after the effective date of cancellation or non-renewal of this policy, but only with respect to any WRONGFUL ACT occurring prior to the date of such cancellation or non-renewal.

The INSUREDS may request a quotation for a Run-off Period of greater than one (1) year. As used herein, "full annual premium" means the premium level in effect immediately prior to the effective date of cancellation or non-renewal.

If the Run-off Period extension is purchased, the entire premium shall be deemed earned at its commencement without any obligation by the INSURER to return any part thereof and it shall not in any way increase the limit of liability set forth in the Declarations.

The acceptance by the INSUREDS of the INSURER'S offer of a new policy relieves the INSURER of any obligation it may have had to provide Run-off Period coverage under this policy.

#### C. Spousal Clause

Coverage as afforded by this policy shall apply to the spouse of an INSURED PERSON provided that: (a) such spouse is named as a co-defendant in a CLAIM against an INSURED PERSON; and (b) such spouse is so named solely by reason of (i) his/her status as the spouse of an INSURED PERSON or (ii) his/her ownership interest in property which the claimant seeks as recovery in such CLAIM; and (c) it is not alleged in the CLAIM that the spouse is liable to the claimant for any reasons other than those contemplated above; and (d) coverage is provided by this policy to the INSURED PERSON for the CLAIM.

## SECTION IV -- EXCLUSIONS

This insurance does not apply to:

- A. CLAIMS arising out of or attributable to bodily injury, sickness, mental anguish, disease or death of any person or damage to or destruction of any tangible property including loss of use thereof or injury resulting from false arrest, detention, imprisonment, wrongful entry or eviction. However, this exclusion shall not apply to:
1. allegations of mental anguish in a CLAIM for an EMPLOYMENT PRACTICES WRONGFUL ACT;
  2. any CLAIM made directly or derivatively by a security holder of the CORPORATION in his/her right as such provided that such CLAIM is brought totally without the solicitation, assistance, participation or intervention of any INSUREDS.
- B. CLAIMS arising out of or attributable to the actual, alleged or threatened discharge, dispersal, release or escape of POLLUTANTS into or upon real or personal property, the atmosphere or water, whether such discharge, dispersal, release or escape is intentional or accidental; or to LOSS resulting from any direction or request to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize POLLUTANTS. However, this exclusion shall not apply to:
1. any CLAIM for an EMPLOYMENT PRACTICES WRONGFUL ACT arising from an EMPLOYEE'S actual or threatened disclosure of the matters described in this exclusion;
  2. DEFENCE COSTS incurred in defending the INSURED PERSONS arising from a CLAIM covered under Insuring Agreement A of Section I provided the CLAIM is first brought within the territorial limits and jurisdiction of Canada and the CORPORATION is not permitted to indemnify them. Notwithstanding Insuring Agreement C ii) of Section I, this coverage shall apply to the INSURED PERSONS only and not the CORPORATION. The limit of liability of the INSURER for such CLAIMS shall be included in the limit of liability as stated in the Declarations and shall be the lesser of such limit or \$1,000,000 each POLICY PERIOD.
- C. CLAIMS arising from any WRONGFUL ACT if notification has been given under any policy which has expired prior to or upon the inception of this policy and if such prior policy affords coverage (or would afford such coverage except for the exhaustion of its limits of liability) for such LOSS, in whole or in part, as a result of such notice.
- D. CLAIMS based upon, arising out of, directly or indirectly resulting from or in consequence of any pending or prior litigation as at the inception date of the ORIGINAL POLICY or derived from the same or essentially the same facts as alleged in such pending or prior litigation.

- E. CLAIMS arising out of or attributable to any fraudulent or dishonest act committed in fact by any INSURED.
- F. CLAIMS arising out of or attributable to any INSURED gaining in fact any profit, remuneration or advantage to which such INSURED was not legally entitled.
- G. CLAIMS initiated or instituted by or on behalf of any INSURED. However, this exclusion shall not apply to:
  - 1. any CLAIM made derivatively by a security holder of the CORPORATION in his/her right as such provided that such CLAIM is brought totally without the solicitation, assistance, participation or intervention of any INSUREDS;
  - 2. any CLAIM for an EMPLOYMENT PRACTICES WRONGFUL ACT;
  - 3. any CLAIM for a FIDUCIARY WRONGFUL ACT.
- H. CLAIMS initiated or instituted by or on behalf of any shareholder owning greater than or equal to ten percent (10%) of any class of shares of the CORPORATION.
- I. CLAIMS for an actual or alleged breach of contract except that this exclusion shall not apply to any allegations of tortious conduct arising out of or attributable to an actual or alleged breach of contract.
- J. CLAIMS arising out of or attributable to any initial public offering of securities of the CORPORATION unless ENCON is notified in writing of the initial public offering prior to its effective date, agrees to provide coverage for WRONGFUL ACTS arising from such initial public offering and the CORPORATION accepts any special terms, conditions, exclusions or additional premium charge required by the INSURER.
- K. CLAIMS for an OUTSIDE DIRECTORSHIP WRONGFUL ACT to the extent the claimant is the outside entity itself or a duly elected or appointed director, officer or trustee of the outside entity.
- L. CLAIMS arising out of or attributable to any actual or alleged obligation pursuant to any workers' compensation, unemployment insurance, social security or old age security, retirement benefits, disability benefits or similar law. However, this exclusion shall not apply to any CLAIM for an EMPLOYMENT PRACTICES WRONGFUL ACT or a FIDUCIARY WRONGFUL ACT based upon an EMPLOYEE'S exercise of a right pursuant to such laws.
- M. CLAIMS already covered under another insurance policy. However, this exclusion shall not apply to the difference in limit between the limit of liability under this policy and that of such other insurance policy. Any coverage provided by this policy shall be specifically excess of and shall not act in contribution with such other insurance policy.

When a CLAIM already covered under another insurance policy is a CLAIM for an OUTSIDE DIRECTORSHIP WRONGFUL ACT, any coverage provided by this policy shall follow the insuring agreements, conditions and exclusions of such underlying insurance policy except and to the extent the coverage provided under this policy for OUTSIDE DIRECTORSHIP WRONGFUL ACTS is more restrictive than that of such other insurance policy.

NOTE: The WRONGFUL ACT of any INSURED shall not be imputed to any other INSURED for purposes of determining the applicability of the Exclusions in Section IV.

#### SECTION V – NUCLEAR INCIDENT EXCLUSION

This insurance does not apply to CLAIMS based on or attributable to:

- 1. liability imposed by or arising under the Nuclear Liability Act;
- 2. bodily injury or property damage with respect to which the INSURED is insured under a contract of nuclear energy liability insurance (whether the INSURED is unnamed in such contract and whether or not it is legally enforceable by the INSURED) issued by the Nuclear Insurance Association of Canada or any other Insurance Association of Canada or any other insurer or group or pool of insurers or would be an insured under any such policy but for its termination upon exhaustion of its limit of liability; and
- 3. bodily injury or property damage resulting directly or indirectly from the NUCLEAR ENERGY HAZARD arising from:
  - (a) the ownership, maintenance, operation or use of a NUCLEAR FACILITY by or on behalf of the INSURED;
  - (b) the furnishing by the INSURED of services, materials, parts or equipment in connection with the planning, construction, maintenance, operation or use of any NUCLEAR FACILITY; and
  - (c) the possession, consumption, use, handling, disposal or transportation of FISSIONABLE SUBSTANCE, or of other RADIOACTIVE MATERIAL (except radioactive isotopes, away from a NUCLEAR FACILITY, which have reached the final stage of fabrication so as to be useable for any scientific, medical, agricultural, commercial or industrial purpose) used, distributed, handled or sold by the INSURED.

As used in this exclusion:

- (a) "FISSIONABLE SUBSTANCE" means any prescribed substance that is, or from which can be obtained, a substance capable of releasing atomic energy by nuclear fission.

(b) "NUCLEAR ENERGY HAZARD" means the radioactive, toxic, explosive or other hazardous properties of radioactive material.

(c) "NUCLEAR FACILITY" means:

- (i) any apparatus designed or used to sustain nuclear fission in a self-supporting chain reaction or to contain a critical mass of plutonium, thorium, uranium or any one or more of them;
- (ii) any equipment or device designed or used for (a) separating the isotopes of plutonium, thorium and uranium or any one or more of them, (b) processing or utilizing spent fuel, or (c) handling, processing or packaging waste;
- (iii) any equipment or device used for the processing, fabricating or alloying of plutonium, thorium or uranium enriched in the isotope uranium 233 or in the isotope uranium 235, or any one or more of them is at any time the total amount of such material in the custody of the INSURED at the premises where such equipment or device is located consists of or contains more than 25 grams of plutonium or uranium 233 or any combination thereof, or more than 250 grams of uranium 235;
- (iv) any structure, basin excavation, premises or place prepared or used for the storage or disposal of waste RADIOACTIVE MATERIAL;

and includes the site on which any of the foregoing is located, together with all operations conducted thereon and all premises used for such operations.

(d) "RADIOACTIVE MATERIAL" means uranium, thorium, plutonium, neptunium, their respective derivatives and compounds, radioactive isotopes of other elements and any other substance that the Atomic Energy Control Board may, by regulation, designate as being prescribed substances capable of releasing atomic energy, or as being requisite for the production, use or application of atomic energy.

#### SECTION VI – COMPUTATION OF AMOUNTS PAYABLE

- A. The INSURER will pay one hundred per cent (100%) of LOSS in excess of the retention stated in the Declarations up to the limit of liability stated in the Declarations. For CLAIMS under Insuring Agreement C which are brought within the territorial limits and jurisdiction of Canada, the retention shall apply to DAMAGES but not to DEFENCE COSTS.
- B. More than one (1) CLAIM arising out of the same act by one or more INSUREDS shall be considered a single CLAIM and only one (1) retention shall be applied to each CLAIM.
- C. The fact that this policy may be extended by virtue of the exercise of the Discovery Period or the Run-off Period shall not in any way increase the limit of liability set forth in the Declarations.

#### SECTION VII – NOTICE OF CLAIM

The INSUREDS shall, as soon as practicable, provide written notice to ENCON at the address indicated in the Declarations after being made aware of a CLAIM for which coverage would be afforded by this policy, but in no event later than fifteen (15) days following the expiration date of the POLICY PERIOD. This fifteen (15) day extended reported period will only apply if no replacement coverage is obtained during such fifteen (15) day period.

If during the POLICY PERIOD the INSUREDS become aware of a WRONGFUL ACT which could reasonably give rise to a CLAIM, the INSUREDS shall deliver written notice thereof to ENCON as soon as practicable and prior to the date of expiry of the policy. The written notice shall include:

1. the names of the potential claimants and a description of the specific WRONGFUL ACT which forms the basis of their potential CLAIM;
2. the consequences which have resulted or may result from such specific WRONGFUL ACT;
3. the nature of the potential damages arising from such specific WRONGFUL ACT; and
4. the circumstances by which the INSUREDS first became aware of the specific WRONGFUL ACT.

Any CLAIM arising out of such reported WRONGFUL ACT shall be treated as a CLAIM made during the POLICY PERIOD in which such written notice was delivered.

If the effective date of termination of the policy is a Saturday, Sunday, or Statutory Holiday, any CLAIM reported to ENCON on the business day immediately following the termination date, will be deemed to have been reported within the POLICY PERIOD.

Notwithstanding the aforementioned, any late notice or absence of notice is cause of forfeiture of the rights of the INSUREDS, if the INSURER sustains injury therefrom.

#### SECTION VIII – DEFENCE AND SETTLEMENT

No DEFENCE COSTS payable under this policy shall be incurred without the INSURER'S consent which is not to be unreasonably withheld. The INSURER shall not settle or compromise any CLAIM without the written consent of the INSUREDS involved in the CLAIM. If, however, the INSUREDS shall refuse to consent to any settlement recommended by defence counsel and the INSURER and shall elect to contest the CLAIM, then the INSURER'S liability for the CLAIM shall not exceed the amount for which the CLAIM could have been so settled plus the DEFENCE COSTS incurred with its consent up to the date of such refusal. Such amounts are subject to the provisions of Section VI of the policy.

Where the INSURER has directed the INSUREDS to conduct their own defence, the INSURER shall have the right and shall be given the opportunity to effectively associate with the INSUREDS in the investigation, defence and settlement of any CLAIM that appears reasonably likely to be covered in whole or in part by this policy.

The INSUREDS and the CORPORATION shall give the INSURER such information and cooperation as it may reasonably require and as shall be in the power of the INSUREDS and the CORPORATION to provide.

#### SECTION IX – GENERAL CONDITIONS

##### A. Authorized Agent of the INSUREDS

In consideration of the issuance of this policy, the INSUREDS agree that the CORPORATION is hereby appointed and authorized to act as agent on behalf of the INSUREDS with respect to all matters of any nature or kind relating to or affecting this policy.

##### B. Cancellation

This policy may be cancelled by the INSUREDS by delivering written notice by mail, facsimile or by hand to ENCON stating when thereafter such cancellation shall be effective. This policy may be cancelled by ENCON by said delivery of written notice of cancellation to the INSURED at the address shown in the Declarations stating when not less than one hundred and twenty (120) days thereafter, such cancellation shall be effective. However, if ENCON cancels the policy because of non-payment of premium when due, this policy may be cancelled by ENCON by said delivery of written notice of cancellation to the INSUREDS at the address shown in the Declarations stating when, not less than fifteen (15) days thereafter, such cancellation shall be effective. The delivery of notice as aforesaid shall be sufficient proof of notice and the effective date and hour of cancellation stated in the notice shall become the end of the POLICY PERIOD.

If the INSUREDS cancel, unearned premium shall be computed on a short rate basis. If ENCON cancels, unearned premium shall be computed pro rata. The INSURER'S cheque delivered as aforesaid shall be a sufficient tender of any refund of premium due hereunder. Payment or tender of any unearned premium by the INSURER shall not be a condition precedent to the effectiveness of cancellation, but such payment shall be made as soon as practicable.

##### C. Allocation of LOSS

If a CLAIM made against the INSUREDS involves both covered and uncovered allegations and/or parties, the INSUREDS recognize that there must be an allocation between insured and uninsured LOSS. The INSUREDS and the INSURER shall exert their best efforts to agree upon a fair and proper allocation between insured and uninsured LOSS.

##### D. Change in Control

In the event of a CONTROL CHANGE, coverage under this policy shall continue until its expiry, but only with respect to CLAIMS for WRONGFUL ACTS occurring prior to the effective date of the CONTROL CHANGE, unless ENCON is notified in writing of the CONTROL CHANGE prior to its effective date, agrees in writing to provide coverage for WRONGFUL ACTS occurring on or after such effective date, and the CORPORATION accepts any

special terms, conditions, exclusions or additional premium charge required by the INSURER.

##### E. Action Against INSURER

No action shall be taken against the INSURER unless, as a condition precedent thereto, the INSUREDS shall have been in full compliance with all the terms of this policy.

##### F. Subrogation

In the event of any payment under this policy, the INSURER shall be subrogated to the extent of such payment to all the rights of recovery of the INSUREDS and the INSUREDS shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents as may be necessary to enable the INSURER effectively to bring suit in the name of the INSUREDS or the CORPORATION.

##### G. Application and Representations

In granting coverage under this policy, the INSURER has relied upon the declarations and statements contained in the application for this policy (including materials submitted therewith and, if this is a renewal application, all such previous policy applications for which this policy is a renewal) as being accurate and complete. All such declarations and statements shall be deemed to be material to the acceptance of the risk and the hazard assumed by the INSURER under this policy and are to be considered as incorporated into this policy.

##### H. Severability

Subject to all of its terms and conditions, this policy shall apply to each INSURED in the same manner and to the same extent as if a separate policy had been issued to each. With respect to the declarations and statements contained in the application for coverage, the knowledge of one INSURED shall not be imputed to any other INSURED. The total amount payable hereunder on behalf of all INSUREDS and, notwithstanding the number of INSUREDS involved, shall not exceed the limit of liability stated in the Declarations.

##### I. Territory

Except as otherwise stated, coverage shall apply worldwide.

##### J. Currency

Except as otherwise stated, all amounts under this policy are expressed and payable in the currency of Canada.

##### K. Interpretation

This policy shall be interpreted and construed in accordance with the laws of the Canadian province in which the policy was issued.

**L. Declarations**

In consideration of the payment of the premium, in reliance upon the statements made in the application for this insurance which is made a part hereof and subject to all of the terms and conditions of this policy, the INSURER has caused this policy to be executed on the Declarations.



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Toll Free 800-267-6684  
[www.encon.ca](http://www.encon.ca)

# Endorsement

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Endorsement No.: 0001  
Standard Form: DOPV661  
Attached to and forming part  
of Policy Number: PV-375703

Employee Co-defendant Extension

It is agreed that, with respect to a CLAIM for a D&O WRONGFUL ACT, coverage as afforded by this policy will apply to all past, present and future EMPLOYEES of the CORPORATION, provided that such EMPLOYEE is named as a co-defendant in a civil suit filed in a court of law with an INSURED PERSON.

Except as otherwise provided in this endorsement, all terms, provisions and conditions of this policy shall have full force and effect.





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# Endorsement

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Endorsement No.: 0002  
Standard Form: DOPV664B  
Attached to and forming part  
of Policy Number: PV-375703

## Broad Definition of Insured Person

It is agreed that Article N of Section II is amended to read as follows:

N. "INSURED PERSON" means:

1. any past, present and future duly elected, appointed or de facto director, officer or trustee (including equivalent executive positions in foreign jurisdictions) of the CORPORATION;
2. any EMPLOYEE of the CORPORATION only if and to the extent a CLAIM is made against him/her for an EMPLOYMENT PRACTICES WRONGFUL ACT or an OUTSIDE DIRECTORSHIP WRONGFUL ACT;
3. any FIDUCIARY of the CORPORATION only if and to the extent a CLAIM is made against him/her for a FIDUCIARY WRONGFUL ACT.

Except as otherwise provided in this endorsement, all terms, provisions and conditions of this policy shall have full force and effect.



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# Endorsement

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Endorsement No.: 0003  
Standard Form: DOPV676  
Attached to and forming part  
of Policy Number: PV-375703

Non-Rescindable Insuring Agreement A Extension

In consideration of the premium charged, it is agreed that, solely with respect to coverage provided under Section I A, the INSURER shall not rescind this policy.

Except as otherwise provided in this endorsement, all terms, provisions and conditions of this policy shall have full force and effect.



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# Endorsement

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Endorsement No.: 0004  
Standard Form: DOPV657A  
Attached to and forming part  
of Policy Number: PV-375703

Payment of Loss (100% Defence Costs)

It is agreed that Article C of Section IX is hereby amended to read as follows:

## C. Payment of LOSS

If a CLAIM made against the INSUREDS includes both covered and uncovered allegations:

### (i) DEFENCE COSTS:

The INSURER shall pay one hundred per cent (100%) of DEFENCE COSTS incurred on account of such CLAIM made against the INSUREDS.

### (ii) DAMAGES:

The payment of DAMAGES by the INSURER shall be based on the relative legal exposure of the INSUREDS to covered and uncovered allegations, which shall be determined upon settlement or final adjudication of the CLAIM.

In the event that the INSUREDS and INSURER cannot otherwise agree on the payment of DAMAGES, the issue of payment shall be submitted to binding arbitration pursuant to the Arbitration Act of the Canadian province or territory in which the policy was issued. In the absence of such provincial or territorial legislation, the Arbitration Act of Ontario shall govern the arbitration. The arbitration panel shall consist of one arbitrator appointed by the INSURED, one arbitrator appointed by the INSURER and a third independent arbitrator selected by the INSURED and INSURER'S appointees. The fees and disbursements of the arbitrators shall be shared equally by the INSURED and INSURER who shall otherwise bear their own costs of the arbitration.

Except as otherwise provided in this endorsement, all terms, provisions and conditions of this policy shall have full force and effect.



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# Endorsement

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Endorsement No.: 0005  
Standard Form: DOPV705  
Attached to and forming part  
of Policy Number: PV-375703

## Side A Clarification

It is agreed that Articles A and B of Section I are amended to read as follows:

### A. Directors and Officers Liability

With the INSURED PERSONS to pay on their behalf all LOSS that they may become legally obligated to pay as a result of a CLAIM for a D&O WRONGFUL ACT for which the CORPORATION is not permitted to indemnify them or is unable to indemnify them due to its financial insolvency.

### B. Outside Directorship Liability

With the INSURED PERSONS to pay on their behalf all LOSS that they may become legally obligated to pay as a result of a CLAIM for an OUTSIDE DIRECTORSHIP WRONGFUL ACT for which the CORPORATION or an outside entity is not permitted to indemnify them or is unable to indemnify them due to its financial insolvency.

Except as otherwise provided in this endorsement, all terms, provisions and conditions of this policy shall have full force and effect.



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# Endorsement

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Endorsement No.: 0006  
Standard Form: DOPV721  
Attached to and forming part  
of Policy Number: PV-375703

Defence Costs in Excess of Limit Amendment (Canada)

It is agreed that, solely with respect to CLAIMS first brought in Canada, Article A of Section VI is amended to read as follows:

A. The INSURER shall pay one hundred per cent (100%) of LOSS in excess of the retention stated in the Declarations up to the limit of liability stated in the Declarations except that DEFENCE COSTS shall be paid over and above the limit of liability stated in the Declarations provided the said limit of liability has not been previously exhausted by the payment of LOSS or currently exhausted by the payment of DAMAGES. For CLAIMS under Insuring Agreement C, the retention shall apply to DAMAGES but not to DEFENCE COSTS.

Except as otherwise provided in this endorsement, all terms, provisions and conditions of this policy shall have full force and effect.



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# Endorsement

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Endorsement No.: 0007  
Standard Form: DOPY736  
Attached to and forming part  
of Policy Number: PV-375703

## Entities Considered to be Subsidiaries Amendment

Notwithstanding Definition X of Section II, it is agreed that the following entities shall be considered to be SUBSIDIARIES for the purposes of this policy:

Entities:                    PARADIGM FARMS LTD.;  
                                  AGRI-MART LIVESTOCK & POULTRY PRODUCTS LTD.;  
                                  BOND HOG VENTURES LTD.;  
                                  HERITAGE HOGS LIMITED;  
                                  JVCO TRANSPORT LTD.

Except as otherwise provided in this endorsement, all terms, provisions and conditions of this policy shall have full force and effect.



ENCON Group Inc.  
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Telephone 613-786-2000  
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www.encon.ca

# Endorsement

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Endorsement No.: 0008  
Standard Form: DOPV743  
Attached to and forming part  
of Policy Number: PV-375703

Modified Subsidiary (25%)

In consideration of the premium charged, it is agreed that Article D 4 (a) of Section II is amended to read as follows:

4. any SUBSIDIARY acquired or created after the inception date of this policy on condition that:
  - (a) written notice together with full information thereof, is provided to ENCON within ninety (90) days of the acquisition or creation of any new SUBSIDIARY whose total consolidated assets exceed twenty-five per cent (25%) of the total consolidated assets of the CORPORATION as reflected in the CORPORATION'S most recent audited consolidated financial statements prior to such acquisition or creation;

Except as otherwise provided in this endorsement, all terms, provisions and conditions of this policy shall have full force and effect.



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# Endorsement

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Endorsement No.: 0009  
Standard Form: DOPV744B  
Attached to and forming part  
of Policy Number: PV-375703

## Broad Definition of Subsidiary

It is agreed that Article X of Section II is amended to read as follows:

X. "SUBSIDIARY" means:

1. any entity of which the CORPORATION or a SUBSIDIARY owns more than fifty per cent (50%) of the voting stock and controls more than fifty per cent (50%) of the associated votes;
2. any partnership, limited partnership (including its general partner) or joint venture which the CORPORATION or a SUBSIDIARY manages or operates under the terms and conditions of an applicable agreement governing such partnership, limited partnership or joint venture.

Except as otherwise provided in this endorsement, all terms, provisions and conditions of this policy shall have full force and effect.





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# Endorsement

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Endorsement No.: 0010  
Standard Form: DOPV755  
Attached to and forming part  
of Policy Number: PV-375703

Breach of Contract Amendment

It is agreed that Article I of Section IV is hereby amended to read as follows:

- I. CLAIMS for an actual or alleged breach of contract except that this exclusion shall not apply to:
- 1) any allegations of tortious conduct arising out of or attributable to an actual or alleged breach of contract; or
  - 2) one hundred percent (100%) of DEFENCE COSTS for CLAIMS arising out of or attributable to an actual or alleged breach of an employment contract.

Except as otherwise provided in this endorsement, all terms, provisions and conditions of this policy shall have full force and effect.



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# Endorsement

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Endorsement No.: 0011  
Standard Form: DOPV761A  
Attached to and forming part  
of Policy Number: PV-375703

Bodily Injury and Property Damage  
Exclusion ("for" language)

In consideration of the premium charged, it is agreed that Article A of Section IV is amended to read as follows:

- A. CLAIMS for bodily injury, sickness, mental anguish, disease or death of any person or damage to or destruction of any tangible property including loss of use thereof or injury resulting from false arrest, detention, imprisonment, wrongful entry or eviction. However, this exclusion shall not apply to:
1. allegations of mental anguish in a CLAIM for an EMPLOYMENT PRACTICES WRONGFUL ACT;
  2. DEFENCE COSTS arising from a CLAIM pursuant to section 217.1 of the Criminal Code of Canada (as amended by Bill C-45).

Except as otherwise provided in this endorsement, all terms, provisions and conditions of this policy shall have full force and effect.



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# Endorsement

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Endorsement No.: 0012  
Standard Form: DOPV770  
Attached to and forming part  
of Policy Number: PV-375703

Amended Definition of Damages  
(Most Favourable Applicable Law)

It is agreed that Article F of Section II is amended to read as follows:

F. "DAMAGES" means:

1. compensatory damages; and
2. punitive or exemplary damages first rendered by a court in Canada; and
3. punitive or exemplary damages first rendered by a court in the United States, except for those arising from an EMPLOYMENT PRACTICES WRONGFUL ACT;

which the INSUREDS are legally obligated to pay as a result of a judgement or settlement including pre and post-judgement interest. DAMAGES shall not include fines, penalties or damages which may be deemed uninsurable under the law pursuant to which this policy shall be construed. However, it is agreed that the insurability of punitive or exemplary damages shall be governed by such applicable law of the jurisdiction which most favours coverage for punitive or exemplary damages provided such jurisdiction has a substantial relationship to the relevant INSUREDS, to the CORPORATION or to the CLAIM giving rise to the DAMAGES.

It is also agreed that Article P of Section II is amended to read as follows:

P. "LOSS" means DAMAGES and DEFENCE COSTS resulting from a CLAIM for which coverage is provided by this policy.

Except as otherwise provided in this endorsement, all terms, provisions and conditions of this policy shall have full force and effect.



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# Endorsement

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Endorsement No.: 0013  
Standard Form: DOPV777  
Attached to and forming part  
of Policy Number: PV-375703

## Modified Conduct Exclusions (Final Adjudication)

It is agreed that Exclusions E and F of Section IV are amended to read as follows:

- E. CLAIMS arising out of or attributable to any fraudulent, dishonest or criminal act committed deliberately by any INSURED PERSON as determined by a judgement or other final adjudication.
- F. CLAIMS arising out of or attributable to any INSURED PERSON gaining any profit, remuneration or advantage to which such INSURED PERSON was not legally entitled as determined by a judgement or other final adjudication.

Except as otherwise provided in this endorsement, all terms, provisions and conditions of this policy shall have full force and effect.



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# Endorsement

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Endorsement No.: 0014  
Standard Form: DOPV778B  
Attached to and forming part  
of Policy Number: PV-375703

Broad Definition of Claim (Written or Oral)

It is agreed that Article B of Section II is amended to read as follows:

B. "CLAIM" means:

1. a written or oral demand for compensatory damages or non-monetary relief;
2. a civil proceeding commenced by the service of a notice of action, statement of claim or similar proceeding;
3. a formal administrative or regulatory proceeding commenced by the filing of a notice of hearing or formal investigative order or similar document;

against any INSURED for a WRONGFUL ACT;

4. a criminal or penal proceeding commenced by the laying of an information or similar proceeding against any INSURED PERSON for a WRONGFUL ACT.

It is also agreed that:

- (a) Article F of Section I is deleted in its entirety;
- (b) in Article H of Section I, the phrase "seeking DAMAGES payable" is replaced by "for which coverage is provided";
- (c) in Article G of Section II, the phrase "seeking DAMAGES payable" is replaced by "for which coverage is provided".

Except as otherwise provided in this endorsement, all terms, provisions and conditions of this policy shall have full force and effect.



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# Endorsement

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Endorsement No.: 0015  
Standard Form: DOPV787B  
Attached to and forming part  
of Policy Number: PV-375703

## Order of Payments Amendment

It is agreed that if a CLAIM includes allegations against the INSURED PERSONS and the CORPORATION for which coverage would be provided by this policy and if it is determined that the potential LOSS payable exceeds the remaining limit of liability available under the policy, the CORPORATION may elect in writing through its Chief Executive Officer (or equivalent executive position) to:

- (a) have the INSURER first pay LOSS attributable to the INSURED PERSONS; and
- (b) decline or defer payment of LOSS attributable to the CORPORATION.

The CORPORATION shall be responsible for the initial payment of any deferred LOSS. The INSURER shall have no obligation to pay LOSS after exhaustion of the limit of liability regardless of whether the CORPORATION has declined or deferred payment.

It is also agreed that if the INSURER is formally advised that the CORPORATION is insolvent, the INSURER shall only pay LOSS attributable to the INSURED PERSONS.

Except as otherwise provided in this endorsement, all terms, provisions and conditions of this policy shall have full force and effect.



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# Endorsement

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Endorsement No.: 0016  
Standard Form: DOPV791  
Attached to and forming part  
of Policy Number: PV-375703

## Fiduciary Liability Coverage Amendment

It is agreed that Article A of Section II is amended to read as follows:

A. "BENEFIT PLAN" means:

1. any employee retirement savings plan, which is not sponsored or funded by the CORPORATION. An employee retirement savings plan does not include any; defined benefit plan, defined contribution plan, multi-employer plan;
2. any medical, dental, life and accident or employee profit sharing plan which, at the inception date of the policy, is sponsored by the CORPORATION, except any multi-employer plan;
3. any BENEFIT PLAN acquired or created during the POLICY PERIOD but only with respect to FIDUCIARY WRONGFUL ACTS occurring subsequent to the date of such acquisition or creation.

Except as otherwise provided in this endorsement, all terms, provisions and conditions of this policy shall have full force and effect.



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# Endorsement

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Endorsement No.: 0017  
Standard Form: DOPV809  
Attached to and forming part  
of Policy Number: PV-375703

Spousal/Co-defendant Clause Amendment

It is agreed that any reference to "spouse" in Article C of Section III is replaced with "spouse/domestic partner".

Except as otherwise provided in this endorsement, all terms, provisions and conditions of this policy shall have full force and effect.





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# Endorsement

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Endorsement No.: 0018  
Standard Form: DOPV817  
Attached to and forming part  
of Policy Number: PV-375703

Softened Hammer Clause - 80%

It is agreed that Section VIII is amended to read as follows:

No DEFENCE COSTS payable under this policy shall be incurred without the INSURER'S consent which is not to be unreasonably withheld. The INSURER shall not settle or compromise any CLAIM without the written consent of the INSUREDS involved in the CLAIM. If, however, the INSUREDS shall refuse to consent to any settlement recommended by defence counsel and the INSURER, and shall elect to contest the CLAIM, then the INSURER'S liability for the CLAIM shall not exceed:

1. the amount for which the CLAIM could have been so settled plus the DEFENCE COSTS incurred with its consent up to the date of such refusal; and
2. eighty per cent (80%) of LOSS, including DEFENCE COSTS, in excess of the amount referenced in paragraph 1 above. The remaining twenty per cent (20%) of LOSS, including DEFENCE COSTS, shall be paid by the INSUREDS, uninsured and at their own risk, notwithstanding anything to the contrary in Article C of Section IX of the policy.

Such amounts are subject to the provisions of Section VI of the policy.

Where the INSURER has directed the INSUREDS to conduct their own defence, the INSURER shall have the right and shall be given the opportunity to effectively associate with the INSUREDS in the investigation, defence and settlement of any CLAIM that appears reasonably likely to be covered in whole or in part by this policy.

The INSUREDS and the CORPORATION shall give the INSURER such information and co-operation as it may reasonably require and as shall be in the power of the INSUREDS and the CORPORATION to provide.

Except as otherwise provided in this endorsement, all terms, provisions and conditions of this policy shall have full force and effect.



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# Endorsement

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Endorsement No.: 0019  
Standard Form: DOPV819  
Attached to and forming part  
of Policy Number: PV-375703

IPO Reporting Amendment (30 Days)

It is agreed that Article J of Section IV is amended to read as follows:

J. CLAIMS arising out of or attributable to any initial public offering of securities of the CORPORATION unless ENCON is notified in writing of the initial public offering thirty (30) days prior to its effective date, agrees to provide coverage for WRONGFUL ACTS arising from such initial public offering and the CORPORATION accepts any special terms, conditions, exclusions or additional premium charge required by the INSURER.

Except as otherwise provided in this endorsement, all terms, provisions and conditions of this policy shall have full force and effect.



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# Endorsement

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Endorsement No.: 0020  
Standard Form: DOPV821B  
Attached to and forming part  
of Policy Number: PV-375703

Corp./I vs. I Exclusion Amendment

It is agreed that Article G of Section IV is amended to read as follows:

- G. CLAIMS initiated or instituted by or on behalf of any INSURED. However, this exclusion shall not apply to:
1. any CLAIM made derivatively provided that such CLAIM is brought totally without the solicitation, assistance, participation or intervention of any INSURED PERSON or the CORPORATION except for any solicitation, assistance, participation or intervention for which any "whistleblower" protection of an applicable federal, provincial, local or foreign securities law affords protection to such INSURED PERSON;
  2. any CLAIM for an EMPLOYMENT PRACTICES WRONGFUL ACT;
  3. any CLAIM for a FIDUCIARY WRONGFUL ACT;
  4. any CLAIM brought by a liquidator, receiver or trustee in bankruptcy;
  5. a CLAIM brought by an INSURED for contribution or indemnity which is part of and results directly from a CLAIM not otherwise excluded by the terms of this policy;
  6. a CLAIM brought by a former Director or Officer who has not served as such for at least two (2) years preceding the date the CLAIM is first made provided that such CLAIM is brought totally without the solicitation, assistance, participation or intervention of any INSURED PERSON who is or was serving as a Director or Officer within such two (2) year period;
  7. DEFENCE COSTS for CLAIMS brought by an INSURED PERSON other than those addressed in sub-articles 1 through 6 above.

Except as otherwise provided in this endorsement, all terms, provisions and conditions of this policy shall have full force and effect.



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# Endorsement

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Endorsement No.: 0021  
Standard Form: DOPV825A  
Attached to and forming part  
of Policy Number: PV-375703

Entity Coverage Amendment

It is agreed that Article C (ii) of Section I is amended to read as follows:

(ii) LOSS that it may become legally obligated to pay as a result of a CLAIM for a CORPORATION WRONGFUL ACT.

It is also agreed that Article Y of Section II is amended to read as follows:

Y. "WRONGFUL ACT" means a D&O WRONGFUL ACT, a CORPORATION WRONGFUL ACT, an EMPLOYMENT PRACTICES WRONGFUL ACT, a FIDUCIARY WRONGFUL ACT, an OUTSIDE DIRECTORSHIP WRONGFUL ACT and/or a PROFESSIONAL SERVICES WRONGFUL ACT.

For the purposes of this endorsement, the term "CORPORATION WRONGFUL ACT" means any actual or alleged breach of duty, neglect, error, misstatement, misrepresentation, omission or other act done or attempted by the CORPORATION.

With respect to the coverage granted under Article C (ii) of Section I, this insurance does not apply to:

1. CLAIMS for any actual or alleged unauthorized use or infringement of any patent, trademark, copyright, service mark, trade name, trade dress or trade secret;
2. CLAIMS for liability arising out of or attributable to the use of products designed, manufactured or distributed by the CORPORATION;
3. CLAIMS for any actual or alleged violation of any applicable law with respect to the Competition Act, business competition or unfair trade practices;
4. CLAIMS for the rendering or failure to render any kind of professional service to others except that this exclusion shall not apply to CLAIMS made by a security holder of the CORPORATION in his/her right as such provided that such CLAIM is brought totally without the solicitation, assistance, participation or intervention of any INSURED.

Except as otherwise provided in this endorsement, all terms, provisions and conditions of this policy shall have full force and effect.



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# Endorsement

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Endorsement No.: 0022  
Standard Form: DOPV860  
Attached to and forming part  
of Policy Number: PV-375703

## Amendatory Endorsement

It is agreed that the policy is amended as follows:

1. Reporting Amendment (30 Days)

The references to "fifteen (15) days" in Articles A and B of Section III and in Section VII are replaced by "thirty (30) days".

2. Amended Other Insurance Clause

Article M of Section IV is amended to read as follows:

M. CLAIMS already covered under another valid and collectible insurance policy. However, this exclusion shall not apply to the difference in limit between the limit of liability under this policy and that of such other insurance policy. Any coverage provided by this policy shall be specifically excess of and shall not act in contribution with such other insurance policy.

When a CLAIM already covered under another insurance policy is a CLAIM for an OUTSIDE DIRECTORSHIP WRONGFUL ACT, any coverage provided by this policy shall follow the insuring agreements, conditions and exclusions of such underlying insurance policy except and to the extent the coverage provided under this policy for OUTSIDE DIRECTORSHIP WRONGFUL ACTS is more restrictive than that of such other insurance policy.

3. Pro Rata Cancellation Amendment

Article B of Section IX is amended to read as follows:

B. Cancellation

This policy may be cancelled by the INSUREDS by delivering written notice by mail, facsimile or by hand to ENCON stating when thereafter such cancellation shall be effective. This policy may be cancelled by ENCON because of non-payment of premium by said delivery of written notice of cancellation to the INSURED at the address shown in the Declarations stating when not less than fifteen (15) days thereafter, such cancellation shall be effective. The delivery of notice as aforesaid shall be sufficient proof of notice and the effective date and hour of cancellation stated in the notice shall become the end of the POLICY PERIOD.

Unearned premium shall be computed on a pro rata basis. The INSURER'S

cheque delivered as aforesaid shall be a sufficient tender of any refund of premium due hereunder. Payment or tender of any unearned premium by the INSURER shall not be a condition precedent to the effectiveness of cancellation, but such payment shall be made as soon as practicable.

4. Sixty (60) Day Notice of Non-renewal

If the INSURED submits a completed renewal application prior to expiry and the INSURER decides not to offer any renewal terms for this policy, the INSURER shall provide written notice to the INSURED'S broker and the POLICY PERIOD will be extended, if necessary, to ensure that the policy expiration date is at least sixty (60) days subsequent to the date of such notice of non-renewal. If an extension of the POLICY PERIOD is required, the additional premium shall be computed on a pro rata basis.

5. Notice of Claim Amendment

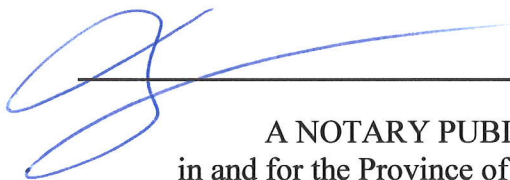
References to "POLICY PERIOD" in paragraphs two, three and four of Section VII are replaced by "POLICY PERIOD, Discovery Period or Run-off Period."

Except as otherwise provided in this endorsement, all terms, provisions and conditions of this policy shall have full force and effect.



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**THIS IS EXHIBIT "40" REFERRED TO IN THE  
AFFIDAVIT OF RAYMOND ALAN HILDEBRAND  
SWORN BEFORE ME AT THE CITY OF WINNIPEG  
IN THE PROVINCE OF MANITOBA  
THIS 11 DAY OF SEPTEMBER, 2012**



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A NOTARY PUBLIC  
in and for the Province of Manitoba

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## THE PURATONE CORPORATION

### KEY EMPLOYEE RETENTION PLAN

#### ***Implementation***

The Puratone Corporation ("*Puratone*" or the "*Company*") intends to commence restructuring proceedings under the *Companies' Creditors Arrangement Act* (the "*CCAA*"). In order to retain key critical employees of the Company who are providing management and restructuring assistance to the Company, the Company hereby establishes a Key Employee Retention Plan ("*Plan*"). The Plan has been developed to provide those employees who are critical to the success of the restructuring with sufficient incentive to remain with the Company through the completion of the restructuring. In the event the Company files an application to commence proceedings under the CCAA, it will thereafter present this Plan to the Manitoba Court of Queen's Bench (the "*Court*") for approval. The Plan, as presented to the Court, will be subject to the recommendation of the court-appointed monitor and approval by the Court and will become effective on being approved by the Court.

#### ***Definitions***

The following terms shall have the meanings ascribed to each:

"*Completion*" means (i) following the granting of an Initial Order, (a) the closing of a Going Concern Divestiture and/or (b) the implementation of a Plan of Arrangement, or (ii) whether an Initial Order has been made or not, written notification from the Company, Bank of Montreal, Farm Credit Canada or any receiver appointed in relation to assets of the Company to the Participants that Puratone is not proceeding with either a Going Concern Divestiture or a Plan of Arrangement;

"*Initial Order*" means an initial order granted by the Court under the CCAA in respect of Puratone;

"*Going Concern Divestiture*" means a transaction or transactions, the completion of which result(s) in a divestiture of all or substantially all of the assets and operations of the Company and its subsidiaries as one or more going concern entities;

"*Monitor*" means Deloitte & Touche Inc. or such other entity appointed to serve as a monitor for the Company by the Court;

"*Participant*" means each of the employees of Puratone listed in Annex "A";

"*Plan*" means this key employee retention plan, as may be amended;

"*Plan of Arrangement*" means a plan of restructuring, reorganization, compromise or arrangement as approved by the requisite majorities of the Company's classes of creditors, shareholders and/or the Court, as the case may be;

"*Retention Award*" means the compensation to which each Participant shall be entitled under this Plan;

"Salary" means the current base salary payable on an annual basis to each Participant, prior to any applicable statutory withholdings and deductions and exclusive of any bonuses otherwise payable to such Participant, each as set out under the heading "Base Salary" in Annex "A"; and

"SISP" means the sale and investor solicitation process which has been undertaken by the Company with the intention of effecting a sale of all or substantially all of the assets and undertaking of Puratone and its subsidiaries.

### ***Participation***

Participation in the Plan will be limited to the Participants, each of whom is considered by the Company, in consultation with the Monitor, to be integral to (i) the continued operation of the Company's business prior to and during the implementation of this restructuring; (ii) divestiture of all or substantially all of the assets and operations of the Company and its subsidiaries as one or more going concern entities; and/or (iii) the implementation of a plan of restructuring, reorganization, compromise or arrangement as approved by the requisite majorities of the Company's classes of creditors and/or shareholders and/or the Court as the case may be. Both (ii) and (iii) require the continued operation of the Company's business (including its affiliates and subsidiaries), the maintenance of data rooms and other due diligence sources and the uninterrupted maintenance of certain key management functions.

### ***Retention Awards***

All Participants will be entitled to receive Retention Awards under the Plan on the terms and conditions herein and as more particularly set out on Annex "A" hereto. Retention Awards to each Participant will be calculated as a percentage of that Participant's Salary. The purpose of the Retention Awards is to provide a cash incentive to Participants to continue their employment with the Company through the full anticipated term of the restructuring. Upon Court approval of this Plan, the job descriptions of each of the Participants shall be deemed to include the additional duties appropriate to each Participant's position that are required to facilitate the restructuring or sale process as determined by the Company and the failure to perform such additional duties shall be cause for termination of a Participant's employment and therefore, of his or her entitlement to receive Retention Awards.

The Participants who are listed under Category A on Annex "A" will each be entitled to receive the following Retention Awards:

- (a) An amount equal to 10% of that Participant's Salary will accrue to that Participant each calendar month, commencing July 1, 2012 until Completion, subject to clause (c) below. This Retention Award is only payable to each Participant upon the earlier of (i) Completion and (ii) the termination of the employment of the Participant by the Company without cause. In the event of termination for cause or voluntary termination, the Participant shall forfeit his or her right to any accrued but unpaid Retention Award. In determining the above accrual amount, if any applicable time period includes part of a month, the amount that will accrue will be that proportion of 10% of the Participant's Salary that the number of days in such part month bears to the full number of days in that month.

- (b) If a Participant has not been terminated for cause and has not voluntarily terminated his or her employment with the Company, then upon the closing of a Going Concern Divestiture, and if at such time the total amount of the Retention Award accruing to a Participant is less than an amount equal to 67% of the Participant's Salary, the Retention Awards accruing under clause (a) above will be "topped up" to a total Retention Award equal to 67% of the Participant's Salary, subject to clause (c) below. For clarity, this payment shall supplement the payment under clause (a) and shall not be in addition to any amount accruing thereunder, however, if the closing of a Going Concern Divestiture occurs at such time as the Retention Award accruing under clause (a) above is equal to or exceeds 67% of the Participant's Salary, the total Retention Award to which the Participant will be entitled shall be the amount payable under clause (a).
- (c) In the event, that a Participant accepts an offer of employment from an acquiror under a Going Concern Divestiture or pursuant to a Plan of Arrangement, the Retention Award payable under the above clauses (a) and (b) shall be limited to an amount equal to 10% of the Participant's Salary for a maximum accrual period of up to 3 months, payable upon commencement of his or her employment with such acquiror.

The Participants who are listed under Category B on Annex "A" will be entitled to receive the following Retention Awards:

- (d) The lump sum payment specified in Annex "A" based upon a prescribed percentage of their Salary. Such payment shall be paid in a lump sum upon the earlier of Completion or termination of the Participant's employment by the Company without cause. For clarity, in the event a Participant is terminated for cause or has voluntarily terminated his or her employment prior to Completion, there shall be no entitlement to payment of a Retention Award.

All Retention Awards will be considered earnings from a Participant's employment and be subject to and treated in the same manner as each Participant's current Salary with respect to income tax and other statutory deductions required by law or as agreed by the Participant. The Retention Awards set out herein shall supersede and replace any bonus which may otherwise be payable to the Participants for the current or any future fiscal year, however, nothing in this Plan shall affect any bonus earned and payable for the most recently completed fiscal year, which bonuses will continue to be paid in accordance with existing employment arrangements.

Retention Awards are inclusive of applicable vacation pay/allowance referable to Retention Awards earnings and will not be considered earnings for the purpose of determining any earnings-based, employee benefits provided by the Company, including any savings, pension, supplemental deferred compensation or bonus plan. Retention Awards will not be considered earnings or taken into account for the purpose of determining statutory or common law payment in lieu of notice on termination.

In the event that a Participant is terminated without cause by the Company prior to payment of his or her Retention Award, then the Participant will receive the Retention Award if it becomes

payable, notwithstanding the date of such termination. Resignation as a director of any of the Company's subsidiaries or affiliates, if determined by a Participant on a good faith basis, after consultation with his or her legal counsel, to be reasonably necessary in the circumstances to protect the Participant from any directors' liability shall not be deemed to constitute a voluntary termination of employment, nor shall it constitute grounds to terminate the Participant for cause.

### ***General Provisions***

The terms of the Plan shall be kept strictly confidential by the Participants and the Company. However, the terms may be disclosed by a Participant to members of the Participant's immediate family and his or her professional counsel and financial advisors and by the Company to its secured creditors and to potential investors and/or purchasers on a confidential basis.

In the event the Company or its creditors commence restructuring proceedings pursuant to the provisions of the CCAA, this Plan shall be filed with the Court for approval and the Company and/or the Monitor shall make all such disclosure in respect thereof as may be required pursuant to any Initial Order; provided however, that the Company and/or the Monitor shall file a version of this Plan that does not include Annex "A" in the public record and the Company and/or the Monitor shall file this Plan including Annex "A" in a separate record and request, and make best efforts to obtain, a sealing order with respect to Annex "A".

The Plan shall be administered by the Board of Directors of the Company, and the Board shall have the full power and authority to take all actions, and to make all determinations, required or provided for under this Plan, and all such other actions and determinations not inconsistent with the specific terms and provisions of this Plan deemed by the Board to be necessary or appropriate to the administration of this Plan.

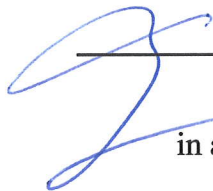
This Plan, to be effective, shall be subject to approval by the Board of Directors of the Company, and shall continue to be in effect until all amounts payable under the Plan have been paid, unless terminated earlier in accordance herewith.

Nothing in this Plan shall confer upon any Participant any right to continued employment with the Company, nor shall it restrict in any way the rights of the Company to remove, terminate or discharge, as applicable, any Participant at any time for any reason whatsoever.

This Plan, and the benefits provided to each Participant, shall enure to the benefit of the heirs and successors of each Participant in the event of the death of a Participant. The Plan shall be interpreted in accordance with and governed by the laws of the Province of Manitoba and the federal laws of Canada applicable therein.

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**THIS IS EXHIBIT "41" REFERRED TO IN THE  
AFFIDAVIT OF RAYMOND ALAN HILDEBRAND  
SWORN BEFORE ME AT THE CITY OF WINNIPEG  
IN THE PROVINCE OF MANITOBA  
THIS 11 DAY OF SEPTEMBER, 2012**



---

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

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Feb 10  
Doris, Claire  
Clayton, Kelly  
Kathy, Melissa, Norma  
Scott, Shana

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**WEANLING PURCHASE & HOG MARKETING CONTRACT**

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THIS CONTRACT made this 31 day of December, 2004.

**BETWEEN:**

**THE PURATONE CORPORATION**  
(hereinafter called "Puratone")

**OF THE FIRST**

**PART,**

**-and-**

**BOND HOG VENTURES LTD.**  
c/o Box 460  
Niverville, MB  
R0A 1E0  
(hereinafter called the "Producer").

**OF THE SECOND PART.**

WHEREAS the Producer has requested that Puratone sell to it, weanlings and the feed and medications necessary to raise such weanlings to marketable weight;

AND WHEREAS the Producer desires to market its slaughter hogs through participation in the Hog Marketing Program, (a cooperative marketing program as hereinafter defined);

AND WHEREAS the Producer is aware that upon the Producer entering into the Hog Marketing Program, Puratone will enter into binding commitments for supply which will be dependent upon the Producer performing its obligations pursuant hereto;

NOW THEREFORE in consideration of the mutual covenants herein contained the Puratone and the Producer covenant and agree as follows:

1. Definitions. In this Contract, the following words or expressions have the following meanings:

"Average Live Weight" means the average weight of weanlings per truckload delivered determined by dividing the total weight, in kilograms, of weanlings delivered by the number of weanlings on the truckload;

"Batch" means the number of weanling pigs delivered by Puratone to fill the Facility, each of which shall consist of approximately 6,200 weanlings;

"Booking Procedure" means the procedures and methods for arranging for the delivery of hogs outlined in **Schedule "B"** hereto, as amended from time to time by Puratone;

"Business Day" means a continuous 24 hour period commencing and ending on a day or days which is/are not a Saturday, Sunday or statutory holiday in Manitoba;

"CQA™ Program" means the Canadian Quality Assurance Program, which has been established by the Canadian Pork Council to provide the highest standards of food production.

"Facility" means the Producer's facility at NE 1/4 30-16-3E exc. thereout the most Ely 1320 feet thereof in the R.M. of Rockwood;

"Feed" means the appropriate complete feed or supplement program sourced from and recommended by Puratone;

"Medication" means the appropriate medication sourced from and recommended by Puratone's corporate or consultant veterinarian.

"Force Majeure Event" means a cause or causes beyond its control of a party including without limitation, act of God, fire, storm, labour relations disruption (including strike, lock-out, illegal work stoppages, slowdowns, boycotts or other labour disputes), any law, regulation or order of any government body or authority having jurisdiction over the party, act of war, insurrection, riot, or other civil disturbance caused by any third party (including freight embargoes, highway, railway or other delivery disruption), power failure, computer failure, mechanical breakdown or any other cause beyond its reasonable control, or beyond the control of any person directly or indirectly engaged by it.

"Hog" means a pig of marketable weight that was part of a Batch and which is sold by or on behalf of the Producer, including through the Puratone Hog Marketing Program;

"Hog Marketing Program" means the program established, managed and operated by Puratone for the marketing of slaughter hogs on its own behalf and on behalf of third-party hog producers (including the Producer), who enter into agreements with Puratone from time to time, which are the same or similar to this Contract;

"Hog Marketing Statement" means the statement in the form set out in **Schedule C** of this Contract;

"Market Price" means the four week average of the Puratone Selling Price ending on the last day of the week prior to scheduled weanling delivery, being a composite of the 100 index per 100 kilograms dressed of all prices received for hogs marketed through the Puratone Marketing Program.

"Person" means and includes individuals, corporations, partnerships, proprietorships, trusts, syndicates, joint ventures, associations, or any other entity by which a business or action may be carried out.

"Puratone Risk Management Program" means a practice by which one or a combination of risk management tools may be utilized from time to time, including but not limited to forward selling of hogs, forward selling of the Canadian dollar, put options and call options.

"Puratone Selling Price" in respect of any particular slaughter hogs delivered pursuant to this Contract means a price that is a composite of all cash hog sales through the Hog Marketing Program for the week in which shipment has occurred as calculated by Puratone. In the event the Producer is involved in the Puratone Risk Management Program, a Risk Management Agreement will be signed and pricing will be calculated based on the rules of the Puratone Risk Management Program.

“Slaughter Hogs” means gilts and barrows within the market weight range, with said weight range being determined by the processor to which the slaughter hogs are being shipped.

“Weanling Pigs” means pigs with an approximate weight of 28 kilograms each.

“Weanling Pricing Formula” means the Average Live Weight Price per truckload, priced as follows:

- (i) For pigs with an Average Live Weight of equal to or greater than 29.5 kilograms:
  - (a) 26.5 kgs x 1.51 x Market Price, plus
  - (b) (29.5 – 26.5) kgs x 0.88 x Market Price, plus
  - (c) (Average Live Weight – 29.5) kgs x 0.44 x Market Price
- (ii) For pigs with an Average Live Weight of equal to or greater than 26.5 kilograms and less than 29.5 kilograms:
  - (a) 26.5 kgs x 1.51 x Market Price, plus
  - (b) (Average Live Weight – 26.5) kgs x 0.88 x Market Price
- (iii) For pigs with an Average Live Weight of equal to or greater than 23.0 kilograms and less than 26.5 kilograms:
  - (a) (Average Live Weight) kgs x 1.51 x Market Price, minus
  - (b) (26.5 – Average Live Weight) kgs x 1.1 x Market Price
- (iv) For pigs with an Average Live Weight of equal to or greater than 20.0 kilograms and less than 23.0 kilograms:
  - (a) (Average Live Weight) kgs x 1.51 x Market Price, minus
  - (b) (26.5 – Average Live Weight) kgs x 1.1 x Market Price, and
  - (c) above result discounted by 10%
- (v) For pigs with an Average Live Weight of less than 20.0 kilograms:
  - (a) No charge

#### DIVISION I – WEANLING, FEED AND MEDICATION PURCHASE

2. Puratone agrees with the Producer:

- a) To deliver, or cause to be delivered, Batches to the Producer at the Facility at intervals of approximately 119 days, commencing with the first Batch on or about August 15, 2004.
- b) To provide a qualified service person to assist the Producer in its management program.
- c) To warrant the Weanling Pigs delivered in accordance with **Schedule “A”** to this Contract.
- d) Subject to timely payment therefor, to deliver or cause to be delivered complete feed and medications to the Producer in amounts and at times arranged between Puratone and the Producer.

3. The Producer agrees with Puratone:

- (a) To purchase and take delivery of three Batches every 51 weeks during the term of this Contract, at prices determined in accordance with the Pricing Formula, together with all necessary feed and medications necessary to raise them;



- (b) To permit Puratone's authorized representative(s) to enter the Facility at any time within 48 hours following delivery of a Batch for the purpose of inspection and tagging in accordance with the Warranty;
- (c) To pay all weanling freight costs for each Batch, as arranged by Puratone;
  - e) To pay for each Batch of weanlings and all feed and medications supplied at Puratone's then current prices and terms or the prices and terms of the Puratone affiliate making the supply, as the case may be;
  - f) To pay all amounts owing to Puratone or its affiliates (including without restriction Winkler Feed Service), within the terms set forth in invoices therefor.

## **DIVISION II - HOG MARKETING**

### **GENERAL**

- 4. The Producer agrees to supply and deliver its total hog production produced from the barn location(s) noted above for sale through the Puratone Hog Marketing Program, according to the Booking Procedure as attached hereto and marked as **Schedule "B"**.
- 5. The Producer agrees to follow the Booking Procedure as may be in force from time to time. Any cancellations or re-scheduling by the Producer must be done by giving Puratone not less than one Business Day's written notice, which may be forwarded via fax to:

The Puratone Corporation  
295 Main Street  
Niverville, Manitoba R0A 1E0  
FAX (204) 388-6745

- 6. Puratone will specify point of delivery of the Producer's slaughter hogs upon execution of this contract and from time to time, in the event that point of delivery is altered.
- 7. In the event that the Producer will be unable to make delivery due to a Force Majeure Event then the Producer shall use its best efforts to notify Puratone of the Force Majeure Event immediately upon becoming aware of it.
- 8. Puratone shall not be obliged to accept delivery of the Producer's slaughter hogs in the event of a Force Majeure Event affecting Puratone, the processor to which the hogs are to be delivered, the transport of the hogs, or any person, government or institution necessary to the marketing of the slaughter hogs. Puratone undertakes to notify the Producer promptly of its inability to accept booking or delivery of the slaughter hogs by reason of a Force Majeure Event in order to avoid unnecessary transportation costs.

### **PRICING AND PAYMENT**

- 9. Slaughter hogs to be sold by Puratone will be marketed at the best advantage available to the Hog Marketing Program at the time of shipment. Payment to the Producer will be based on the established Puratone Selling Price.

10. Slaughter hogs will be graded and paid for according to the appropriate yield, grading grid and premium schedule in effect with the processor designated by Puratone at time of sale.
11. The benefit and/or the burden of all weight and or carcass quality premiums or discounts received from processors at the time of settlement of each shipment provided by the Producer will be passed on to the Producer. The Producer acknowledges and agrees that where a hog processor is unable to read tattoos, the processor will employ a system to allocate animals as closely and equitably as possible to Puratone and/or to the Producer. The Producer and Puratone acknowledge and agree that such a system is necessary and agree that they will accept the allocations made by the Processor in accordance with this Agreement or any arrangement between Puratone and the Producer which depends or varies according to the specific characteristics of hogs managed, sold or marketed.
12. Payment to the Producer will be determined by subtracting from the settlement price summarized on the Hog Marketing Statement in respect of such shipment: (a) any deductions required by law (including without restriction GST where applicable) and all costs associated with the sale of the slaughter hogs such as but not limited to, freight costs, universal levy, USDA veterinary fees, customs broker fees, countervail or other duty, USDA pork assessment, stamp, sales, commodity or similar taxes, and foreign exchange; (b) the Hog Marketing Program administration charge of \$0.60 plus GST per marketed hog; and (c) any penalties incurred or losses suffered by Puratone in connection with any of the Producer's slaughter hogs marketed by Puratone which do not comply with quality assurance provisions; and (d) any amounts otherwise owing by the Producer to Puratone.
13. All classes of animals will be paid according to the receiving processor's settlement agreement and can be verified by supplying the Producer with copies of all returns.
14. Prices are FOB the point of delivery before applicable deductions.
15. Payment for slaughter hogs will be made in accordance to payment schedules established from time to time with the various processors and within a reasonable time following the receipt of settlement by Puratone.
16. All funds received from processors for disbursement to producers such as the Producer, will be held *In Trust* by Puratone until settlement is completed provided however that Puratone shall be entitled to deduct and retain from such funds any amounts owing by the Producer to Puratone.
17. While Puratone makes every effort to ensure that it deals with financially sound processors, Puratone shall not be liable to the Producer in respect of the payment for slaughter hogs marketed by it which are not paid for, in whole or in part, by the processor to which they were sold.

#### SHIPMENT SPECIFICATIONS

18. The Producer warrants that slaughter hogs to be delivered by it under this Contract shall:
  - a) Be produced in compliance with the Good Production Practices as detailed in the Canadian Pork Council's Canadian Quality Assurance (CQA) program, notwithstanding the laws, regulations, by-laws, orders, rulings and ordinances in Canada which have application to the production of the hogs;
  - b) Be saleable and fit for the purpose for which they were intended;

- c) Be raised, handled and loaded for transport in a humane and proper manner to reduce stress and bruising;
- d) Not be fed, injected with, or otherwise have administered to them, any medication, treatment feed additive or other product used for the treatment of any diseases for growth promotion or for any other reasons, unless such products are registered with Agriculture and Agri-Food Canada or other appropriate authority with jurisdiction in Manitoba, are approved for the use specified, and are administered according to the approved methods and approved dosages, including strict adherence to the required medication withdrawal period prior to marketing;
- e) Be delivered drug-free and that the Producer will be subject to penalties for violations under the provisions of the CQA Program as outline by The Canadian Pork Council;
- f) Be legibly and properly tattooed according to the receiving processor's requirements, using producer identity codes supplied by Puratone.

### **OTHER SPECIFICATIONS AND REQUIREMENTS**

- 19. Meat colour and PSE performance will be monitored. Puratone will notify the Producer from time to time if meat is off-colour or PSE exceeds facility norms. Repeated off-colour meat or excessive PSE may result in notice of termination as hereinafter provided.
- 20. The Producer is required to provide verification of CQA accreditation and to maintain CQA Program standards, ongoing accreditation and verification of same. The Producer will train its staff in proper procedures, including all reasonable steps to protect hogs from contamination. The Producer will inform its veterinarians of its obligations and require them to work with the Producer to meet such obligations.
- 21. The Producer will adhere to the recommended feed withdrawal program in accordance with the receiving processor's pre-slaughter management program and as notified by Puratone.

### **DIVISION III - TERMINATION**

- 22. This Contract may be terminated as follows:
  - a) By Puratone at any time without notice in the event of any drug residue infraction as herein before provided or if the Producer breaches any other provision of this Contract;
  - b) At any time by mutual written agreement of the Producer and Puratone,
  - c) Upon either party serving two (2) years written notice for Producers, provided that:
    - (i) such notice must specify a "last delivery date" for marketing of the final Batch's slaughter hogs which will be the date of termination of this Contract.
    - (ii) no forward price contracts are outstanding beyond the date of termination, and
    - (iii) there are no other contracts or agreements between Puratone and the Producer with expiry or termination dates after the proposed termination date.
  - d) By either party in respect of a Force Majeure Event as hereinafter provided;

- e) By Puratone at the option of Puratone, immediately upon notice, in the event of the death, bankruptcy, or insolvency of the Producer, or of the Producer ceasing or threatening to cease to carry on business.

23. Notwithstanding termination of this Contract, the provisions of this Contract requiring the Producer to pay any amount shall continue until such amounts have been fully paid and all such amounts shall become due and payable immediately upon the date of termination.

24. Notwithstanding anything to the contrary provided in this Contract, Puratone reserves the right from time to time to change any term of this Contract by providing the Producer six months written notice with respect to such change. Following any such written notice, the Producer may, at its option and within 60 days of the date of the written notice, provide Puratone six months written notice of termination, providing such notice specifies a "last delivery date" for marketing of the final Batch's slaughter hogs which will be the date of termination of this Contract. In the event that the Producer exercises its rights to terminate as aforesaid, the change to the Contract, which Puratone proposed, will not apply during the remaining term of this Contract. In the event the Producer fails to give notice of termination within the period provided, the change notified by Puratone will take effect at the conclusion of the six-month initial notice period.

25. Neither Puratone nor the Producer shall be responsible to the other for non-performance or delay in performance occasioned by a Force Majeure Event. The obligations of the party prevented from performing shall be suspended for the duration of the Force Majeure Event, provided that the other party shall be entitled to terminate this Contract in the event that the period of such Force Majeure lasts for more than three (3) months.

#### **DIVISION IV - GENERAL**

26. Neither party may disclose the terms and conditions of this Contract except to its professional advisors, for purposes of litigation hereunder, as may be required by law, or with the prior written consent of the other. This provision in no way limits or restricts in whole or in part the use of this Contract.

27. The Producer understands and agrees that in order for Puratone to perform its obligations to the Producer under this Contract and to other participants in the Hog Marketing Program, Puratone must make commitments to processors based upon anticipated deliveries pursuant to this Contract. The Producer understands that Puratone will be liable to the processors notwithstanding, by way of example, that the Producer's failure to meet its obligations may be due to the failure of the Producer to perform its obligations pursuant to this Contract. Accordingly, the Producer understands that the Producer shall be liable to Puratone and any other participants in the Hog Marketing Program for damages or losses said participants suffer or incur as a result of any attempted early termination, failure to deliver, or other breach of this Contract by the Producer which is not specifically excused or permitted by the terms of this Contract.

28. The waiver by Puratone of a breach of this Contract by the Producer on any one occasion shall not constitute or be deemed a waiver of any other breach.

29. In addition to any other remedies available to Puratone in the event of a breach of this Contract by the Producer, Puratone may set off claims against moneys held by Puratone for or on behalf of the Producer or payable to the Producer.

30. This Contract is not assignable by the Producer without the express written consent of Puratone.
31. This is the entire Contract between Puratone and the Producer with respect to the supply of weanlings and the marketing of finished hogs and supersedes all prior discussions and agreements/contracts.
32. Time is of the essence in this Contract.
33. Schedules A, B and C attached hereto form part of this Contract.
34. The Producer warrants that it has good and sufficient power, authority and right to enter into and deliver the Contract and to fully perform all of its obligations under this Contract and that its full legal name is correctly set out below.
35. This Contract shall be governed by the laws of Manitoba and the federal laws of Canada applicable therein.
36. This Contract shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and permitted assigns. If any part of this Contract shall be found void or unenforceable, the remainder of the Contract shall nevertheless continue in full force and effect. This Contract shall be governed by the laws of Manitoba.
37. This Contract commences as of the date of signing and continues until terminated under the Contract termination provisions.
38. It is understood that the relationship of the parties hereto with respect to the sale and purchase of weanlings and feed is one of vendor and purchaser only, and in respect of the Hog Marketing Program is one of agent and undisclosed principal. Nothing herein shall constitute the parties as, partners, or joint ventures.
39. Puratone makes no representations, warranties or guarantees of the profitability of this Contract to the Producer. Producer acknowledges and agrees that the breeding, raising, production and marketing of swine are speculative businesses and this Contract does not guarantee any profits to the Producer. Puratone recommends the Producer build up and maintain cash reserves during periods of strong market prices, which can be used to assist carrying them through batches of weak market prices.

IN WITNESS WHEREOF the parties have caused this Contract to be duly executed the day and year first above written.

THE PURATONE CORPORATION

PER \_\_\_\_\_

PER \_\_\_\_\_

BOND HOG VENTURES LTD.

PER \_\_\_\_\_

PER \_\_\_\_\_

## SCHEDULE "A"

The Puratone Corporation

Weanling Credit Policy

All weanlings received are warrantable for the first 48 hours following delivery.

Within 48 hours of receipt of each batch a Puratone Corporation serviceperson will inspect the batch and identify pigs with the following conditions and the noted warranty will be applied.

1) Conditions in which a full credit will be issued:

- a) Boars
- b) Ridglings (credit issued at the end of the batch)
- c) Large Belly / Scrotal Ruptures
- d) Prolapse
- e) Dead in 48 hours (natural causes)
- f) Pigs under 20 kgs.
- g) Rectal Stricture

2) Conditions in which the Producer will receive a credit or the pig will be tagged\*, subject to the discretion of the serviceperson:

- a) Small Belly/Scrotal Ruptures
- b) Deformed Pigs
- c) Late Castration
- d) Tail Bitten
- e) Unthrifty Pigs
- f) Injuries.

\*Tagged subject pigs have an extended warranty because of the difficulty in determining their survivability. If a tagged subject pig dies or needs to be euthanized during the batch, for the reason which it was tagged, a credit will be issued. If a tagged subject pig goes to market on a clean-out load as a light (less than 90kgs at the farm), the Producer will be credited the price of the weanling. The serviceperson must be notified as soon as possible of either of these occurrences and given the tag number of the subject pig.

## SCHEDULE B

### THE PURATONE HOG MARKETING PROGRAM

#### BOOKING PROCEDURE

Bookings will be accepted up to Wednesday, 5:00 PM for slaughter hog shipments the following week. You can confirm bookings by calling The Puratone Swine Division at (204) 388-4741 or direct to (204) 388-0013.

Producers will be requested to identify in as much detail as possible, the number and weight of hogs available for market. Updated market options and target weight ranges will be made available to barn managers as guidelines for shipping.

By 12:00 noon Friday confirmation of sale, reference number and, at Puratone's sole discretion, finalization of destination and transport provider will be provided.

# SCHEDULE C

## THE PURATONE CORPORATION HOG MARKETING PROGRAM

### HOG MARKETING STATEMENT

Shipped By

Reference No:

Date Shipped

Processor

Date Killed

\$CDN/cKG (Base Price)

Reporting Date

#### Delivery Details

##### Head Shipped:

Good

Boars/Ridglings

Sows

Condemned

Dead

Light

##### Grading Index

Live Weight (kg)

Dressed Weight (kg)

Carcass Yield

Average Weight (kg)

Average Index

Lean Yield

#### Payment Details

##### Proceeds

Gross Receipts

Carcass Premium

Contract Premium

##### Total Proceeds

##### Deductions

Manitoba Levy @\$0.85

Freight

Federal Levy

Administration @ \$0.60

Duty (if applicable)

##### Total Deductions

##### GST on Deductions

##### Net Payment

Pd by Cheque #

#### Returns/Kg

Net Pmt/Live Kg

Net Pmt/Dressed Kg

The amount of any duty that may be shown on this invoice is estimated. It is agreed that you will pay any duty, increased duty, additional duties, penalties, or other charges imposed by law or regulation in connection with this shipment.