

THE QUEEN'S BENCH
WINNIPEG CENTRE

IN THE MATTER OF THE: *Companies' Creditors Arrangement Act*,
R.S.C. 1985, c. C-36, as Amended

AND IN THE MATTER OF: A Proposed Plan of Compromise or
Arrangement of The Puratone Corporation,
Pembina Valley Pigs Ltd. and Niverville
Swine Breeders Ltd. (the "Applicants")

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

FOURTH REPORT OF THE MONITOR

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

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

**THE QUEEN'S BENCH
WINNIPEG CENTRE**

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

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

APPLICANTS

**FOURTH REPORT OF THE MONITOR
DATED NOVEMBER 14, 2012**

INTRODUCTION

1. On September 12, 2012, The Puratone Corporation (“**TPC**”), Niverville Swine Breeders Ltd., and Pembina Valley Pigs Ltd. (collectively the “**Applicants**”) filed for and obtained protection under the *Companies' Creditors Arrangement Act* (the “**CCAA**”). Pursuant to the Order of the Manitoba Court of Queen's Bench (the “**Court**”) dated September 12, 2012 (the “**Initial Order**”), Deloitte & Touche Inc. (“**Deloitte**”) was appointed as the Monitor of the Applicants

(the “**Monitor**”) in the CCAA proceedings and a stay of proceedings was granted in favour of the Applicants.

2. On October 10, 2012, the Court extended the stay of proceedings until November 2, 2012.
3. On October 30, 2012, the Court extended the stay of proceedings until November 12, 2012.
4. On November 8, 2012, the Court further extended the stay of proceedings until January 15, 2013 (the “**Stay Period**”)
5. The Monitor has provided the Court with the following reports:
 - i. The Pre-Filing Report of the Proposed Monitor dated September 11, 2012 (the “**Pre-Filing Report**”) in connection with the Applicants’ application for protection under the CCAA;
 - ii. The First Report of the Monitor dated October 5, 2012 (the “**First Report**”) in connection with the Applicants’ motion to extend the Stay Period;
 - iii. The Second Report of the Monitor dated October 25, 2012 (the “**Second Report**”) in connection with the Applicant’s motion to extend the Stay Period; and
 - iv. The Third Report of the Monitor dated November 5, 2012 (the “**Third Report**”) in connection with the Applicant’s motion to i) further extend the Stay Period; and ii) seek approval for the sale transaction (the “**Transaction**”) contemplated by the Asset Purchase Agreement between the Applicants and Maple Leaf Foods Inc. (the

“**Purchaser**”), and as agreed to by Deloitte & Touche Inc. in its capacity as Monitor of the Applicants.

6. Copies of the Initial Order, the Pre-Filing Report, the First, Second and Third Report(s), all motion materials and orders in the CCAA proceedings, and certain other documents related to the CCAA proceedings have been posted and are available on the Monitor’s website at www.deloitte.com/ca/puratone.

PURPOSE

7. The purpose of this fourth report of the Monitor (the “**Fourth Report**”) is to provide information with respect to the following:
 - i. The Applicants’ request for an Order that they may transfer their shares and limited partnership units in the Partially Owned Subsidiaries (as defined herein) without triggering rights of first refusal, rights of first offer, shotgun rights or similar rights of other shareholders or unit holders (“**Shareholder Rights**”) and assigning certain agreements between the Partially Owned Subsidiaries and/or their shareholders/unit holders to the Purchaser in connection with the Transaction and the Monitor’s recommendations thereon.

TERMS OF REFERENCE

8. In preparing this Fourth Report, the Monitor has relied upon unaudited interim financial information, the Applicants’ books and records, the Affidavits of Raymond Hildebrand sworn September 11, October 4, October 24, November 1 and November 6, and discussions with management (“**Management**”) and the Applicants’ financial and legal advisors.

9. The financial information of the Applicants has not been audited, reviewed or otherwise verified by the Monitor as to its accuracy or completeness, nor has it necessarily been prepared in accordance with generally accepted accounting principles and the reader is cautioned that this Fourth Report may not disclose all significant matters about the Applicants. Additionally, none of the Monitor's procedures were intended to disclose defalcations or other irregularities. If the Monitor were to perform additional procedures or to undertake an audit examination of the financial statements in accordance with generally accepted auditing standards, additional matters may have come to the Monitor's attention. Accordingly, the Monitor does not express an opinion nor does it provide any other form of assurance on the financial or other information presented herein. The Monitor may refine or alter its observations as further information is obtained or brought to its attention after the date of this Fourth Report.
10. The Monitor assumes no responsibility or liability for any loss or damage occasioned by any party as a result of the circulation, publication, reproduction or use of this Fourth Report. Any use which any party makes of this Fourth Report, or any reliance or decision to be made based on this Fourth Report, is the sole responsibility of such party.
11. Unless otherwise stated, all monetary amounts contained in this Fourth Report are expressed in Canadian dollars.
12. Capitalized terms used in this Fourth Report but not defined are as defined in the Pre-Filing Report, the First Report, the Second Report, the Third Report and the Asset Purchase Agreement, as applicable.

THE PRESENT MOTION AND MONITOR'S RECOMMENDATIONS

13. In connection with the Transaction, the Applicants have filed a notice of motion, returnable on November 16, 2012, seeking an Order pursuant to sections 11, 11.3 and 36 of the CCAA:

- i. Authorizing the Applicants to transfer their shares and limited partnership units in Bond Hog Ventures Ltd., Horizon Livestock Poultry Supply Ltd., JVCO Transport Ltd., Heritage Hogs Limited, Pura Organics Limited Partnership, Paradigm Farms Limited, and Parks Livestock of Canada, Limited Partnership (the “**Partially Owned Subsidiaries**”) without triggering any Shareholder Rights, as part of the Purchased Assets to be transferred to the Purchaser pursuant to the Transaction; and
- ii. In respect of those contracts involving the Applicants, the Partially Owned Subsidiaries and/or their shareholders/unit holders, where the relevant counterparty has not expressly agreed to an assignment of the Applicants’ rights and obligations to the Purchaser, assigning the Applicants’ rights and obligations in such Assumed Contracts to the Purchaser on Closing as part of the Purchased Assets pursuant to the Transaction.

The Monitor is advised that as of the date of this Report, the Applicants are working diligently to obtain consents to the assignment of the Assumed Contracts relating to the Partially Owned Subsidiaries and/or their shareholders/unit holders prior to the hearing scheduled for Friday, November 16, 2012. It is expected that counsel for the Applicants will provide further

evidence prior to or at the hearing indicating the Assumed Contracts relating to the Partially Owned Subsidiaries and/or their shareholders/unit holders for which executed consents to the assignment of the rights and obligations of the Applicants have not been received from the relevant counterparties (the “**Outstanding Agreements**”).

14. Pursuant to clause 7.2 of the Asset Purchase Agreement, the Applicants are obliged to use their best efforts to obtain, prior to Closing, all necessary consents of counterparties to the Assumed Contracts to assign the Assumed Contracts to the Purchaser, failing which the Applicants are obliged to apply for an Order of the Court authorizing the assignment of such Assumed Contracts to the Purchaser notwithstanding the absence of such consent.
15. Pursuant to clause 8.1(g) of the Asset Purchase Agreement, any applicable provision of the shareholders agreements relating to the Partially Owned Subsidiaries must have been amended or waived on or before November 16, 2012, failing which the Applicants are obliged to apply for an Order of the Court to authorize the transfer of the Applicants’ interests to the Purchaser, including the Applicants’ rights and obligations under those agreements, free and clear of the Shareholder Rights notwithstanding the absence of a waiver or amendment, and in the event such an Order is not obtained prior to Closing, the Purchase Price is to be reduced accordingly.
16. Assuming the Transaction closes, the Outstanding Agreements are integral to continuing the Applicants’ operations subsequent to the Closing Date. In the event that all or some of the Outstanding Agreements are not ultimately assigned, the Transaction may be at risk if the Purchaser takes the position that the agreements in question are material to the Transaction as a whole.

17. The Monitor is unable to comment on the Purchaser's business plans or on the degree to which the Purchaser could rely on a continuing relationship with a counterparty to an Outstanding Agreement that was assigned with the authority of the Court over the objections of the counterparty. However, the Monitor understands that it is the Purchaser's intention to continue to operate essentially the same business as is currently operated by the Applicants under the Assumed Contracts, including the Outstanding Agreements.
18. As all the Outstanding Agreements to be assigned were entered into by the Applicants prior to September 12, 2012 (the day on which proceedings under the CCAA commenced), and none of the Outstanding Agreements are eligible financial contracts or collective agreements as defined under the CCAA, the exceptions which would prevent a Court from issuing an Order assigning the rights and obligations of the Applicants under section 11.3(2) of the CCAA are not applicable.
19. Given the Purchaser's recognized expertise in the industry of which the Applicants form a part and its apparent financial resources, the Monitor is of the view that it is appropriate and fair to assign the Applicants' rights and obligations under the Outstanding Agreements to the Purchaser. In addition, the Monitor has not been made aware of any facts suggesting that the Purchaser is not in position to fulfill the ongoing obligations under the Outstanding Agreements.
20. The Monitor has not been made aware of any existing monetary defaults under the Outstanding Agreements.
21. In the circumstances, the Monitor supports and approves of the issuance of an Order authorizing transfer of the Applicants' shares and limited partnership

units in the Partially Owned Subsidiaries without triggering any Shareholder Rights, and the assignment of the Applicants' rights and obligations under the Outstanding Agreements as part of the overall Transaction between the Applicants' and the Purchaser, which the Monitor and this Court have approved as being in the best interests of the Applicants' stakeholders.

All of which is respectfully submitted at Winnipeg, Manitoba, this 14th day of November, 2012.

DELOITTE & TOUCHE INC.

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

A handwritten signature in black ink, appearing to read "Steven Peleck", is written over a light yellow rectangular highlight.

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