



NO. S-1810743
VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA

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

AND

IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*,
S.B.C. 2002, c.57, AS AMENDED

AND

IN THE MATTER OF THE *CANADA BUSINESS CORPORATIONS ACT*,
R.S.C. 1985, c.44, AS AMENDED

AND

IN THE MATTER OF A PLAN OR COMPROMISE AND ARRANGEMENT OF
PUREWAL BLUEBERRY FARMS LTD., 0726357 B.C. LTD., 0726365 B.C. LTD.,
0726368 B.C. LTD. and PUREWAL FARMS PARTNERSHIP

FIFTH REPORT OF THE MONITOR

APRIL 29, 2019

INTRODUCTION

1. This report (“**Fifth Report**”) has been prepared by FTI Consulting Canada Inc. (“**FTI**”) in its capacity as the court-appointed Monitor (the “**Monitor**”) pursuant to an order of the Supreme Court of British Columbia (the “**Court**”) pronounced October 11, 2018 (the “**Initial Order**”) pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985 c.36, as amended.
2. On April 30, 2018, Purewal Blueberry Farms Ltd. (“**Purewal**”) filed a Notice of Intention to File a Proposal (“**NOI**”) with the Superintendent of Bankruptcy pursuant to Part III, Division I of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”) and FTI was appointed trustee under the NOI (the “**Proposal Trustee**”).
3. Purewal sought and obtained extensions of its stay of proceedings under the NOI as follows:
 - (a) by Order of the Court pronounced May 30, 2018 extending the time to file a proposal under its NOI (and corresponding stay of proceedings) to July 13, 2018;
 - (b) by Order of the Court pronounced July 5, 2018 extending the time to file a proposal under its NOI (and corresponding stay of proceedings) to August 27, 2018; and
 - (c) by Order of the Court pronounced August 24, 2018 extending the time to file a proposal under its NOI (and corresponding stay of proceedings) to October 11, 2018.
4. Additional Orders sought and obtained by Purewal in the NOI proceedings included:
 - (a) an Order of the Court pronounced May 30, 2018 approving:

- i. an interim financing facility (the “**DIP Loan**”) from Blueberry Holding (GP) Ltd. (in such capacity, the “**DIP Lender**”) in the maximum principal amount of \$500,000, secured by a charge in priority to all other encumbrances, over the assets of Purewal (including any assets of Purewal held in trust for 0726357 B.C. Ltd., 0726365 B.C. Ltd. and 0726368 B.C. Ltd.) (the “**Purewal Property**”) (the “**DIP Lender’s Charge**”); and
 - ii. an administrative charge to secure the fees and disbursements of Purewal’s legal counsel, the Proposal Trustee, and its legal counsel (the “**Administrative Charge**”) in priority to all other encumbrances (other than the DIP Lender’s Charge) against the Purewal Property for up to \$200,000.
- (b) two Orders of the Court pronounced July 5, 2018 approving:
 - i. a claims process (the “**Claims Process**”) by the Proposal Trustee to assist in identifying and understanding the quantum and extent of creditor’s claims against Purewal (the “**Claims Process Order**”); and
 - ii. a sale process (the “**Sale Process**”) for Purewal’s processing plant in accordance with a proposed set of bidding procedures, to be administered by the Proposal Trustee (the “**Sale Process Order**”).
5. On October 11, 2018, the NOI proceedings were converted into this CCAA proceeding by an order of this Court (the “**Initial Order**”), and all of the orders granted in the NOI proceedings, including but not limited to the Claims Process Order and the Sale Process Order, were continued into these CCAA proceedings.

6. Three companies that were not included in the NOI proceedings were added to these CCAA proceedings; namely 0726357 B.C. Ltd. (“**6357**”), 0726365 B.C. Ltd. (“**6365**”) and 0726368 B.C. Ltd. (“**6368**”). 6357, 6365 and 6368 (collectively the “**Brothers’ Companies**”) are holding companies owned by Malkiat, Charan and Gurjit Purewal, respectively.
7. The Initial Order increased the amount of the approved DIP Loan from \$500,000 to \$1,000,000, increased the DIP Lender’s Charge to \$1,000,000, and extended the DIP Lender’s Charge and the Administrative Charge over the property of Purewal and the Brothers’ Companies (the “**Petitioners**”).
8. On October 11, 2018, the Court made a further Order approving an asset purchase agreement submitted by 0801226 B.C. Ltd. (a party related to the DIP Lender) in the Sale Process, as the stalking horse bidder in the Sale Process.
9. On November 2, 2018, the Petitioners sought and obtained an order of this Court extending the stay of proceedings provided in the Initial Order to December 14, 2018.
10. On December 12, 2018, the Petitioners sought and obtained two orders of this Court:
 - (a) The first order approved an Offer to Purchase and Agreement of Purchase and Sale dated November 21, 2018 between Purewal and 1176094 B.C. Ltd. (the “**Purchaser**”) (the “**Winning APA**”) as detailed in the Second Report of the Monitor and provided a vesting order to convey title in the processing plant to the Purchaser (the “**AV Order**”); and
 - (b) The second order approved the extension of the stay of proceedings provided in the Initial Order to March 1, 2019 as well as increasing the Administrative Charge from a maximum aggregate of \$200,000 to \$300,000.
11. On February 6, 2019, the Petitioners sought and obtained two orders of this Court:

- (a) The first order approved an extension for the closing of the Winning APA to March 8, 2019 or a date as agreed between the Monitor, on behalf of Purewal, and the purchaser no later than 21 days after March 8, 2019; and
 - (b) The second order approved the extension of the stay of proceedings provided in the Initial Order to April 15, 2019, increased the Administrative Charge from an aggregate of \$300,000 to \$450,000 and added Purewal Farms Partnership as a petitioner to these proceedings.
- 12. On February 6, 2019, the Monitor sought and obtained an order of this Court approving its fees and expenses for the period from April 1, 2018 to November 30, 2018 and approving the fees and expenses of its legal counsel for the period from June 1, 2018 to November 30, 2018.
- 13. On April 12, 2019, the Petitioners sought and obtained an order of the Court extending the stay of proceedings provided in the Initial Order to May 6, 2019.
- 14. As indicated in the Fourth Report of the Monitor, the Petitioners had intended to seek additional relief in its application, however Justice Weatherill who has been the supervising judge in these CCAA proceedings, was not available until May 6, 2019.
- 15. The Petitioners and the Monitor were of the view that Justice Weatherill's knowledge and history of the case would make the application for the broader relief being sought more appropriate.
- 16. The reports of the Proposal Trustee and the Monitor and other information in respect of these proceedings are posted on the Monitor's website at <http://cfcanada.fticonsulting.com/purewal/>.

PURPOSE

17. The purpose of the Fifth Report of the Monitor is to provide the Court with an update on the following:
 - (a) An update on the Petitioners' funding;
 - (b) An update on the status of the Sale Process including the payments made from the closing proceeds;
 - (c) An update on the status of the Claims Process and the Monitor's views and recommendations on the Petitioners' request to broaden the scope of the Claims Process to include the additional petitioners;
 - (d) The Monitor's views and recommendations on the addition of another company to these CCAA proceedings;
 - (e) An overview of the enhanced powers being sought by the Petitioners to be granted to the Monitor; and
 - (f) the Monitor's views and recommendations regarding the Petitioners' request for an extension of the provisions of the Initial Order, including the stay of proceedings, to August 13, 2019.

TERMS OF REFERENCE

18. In preparing this report, the Monitor has relied upon unaudited financial information, other information available to the Monitor and, where appropriate, the Petitioners' books and records and discussions with various parties (collectively, the "**Information**").
19. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook.
20. The Monitor has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with the procedures described in the Chartered Professional Accountants of Canada Handbook.
21. Future oriented financial information reported or relied on in preparing this report is based on assumptions regarding future events; actual results may vary from forecast and such variations may be material.
22. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

UPDATE ON THE PETITIONERS' FUNDING

23. As a result of the extension of the closing date for the sale of the processing plant, the DIP Lender withheld any further advances from the DIP Loan pending confirmation that the purchaser's financing was approved. The DIP Lender was looking for certainty that the sale transaction would close.
24. On March 6, 2019 the Monitor spoke with a representative of Farm Credit Canada ("FCC") who confirmed that the purchaser's financing had been approved. As the extension fee (described in the subsequent section of this report) provided by the Purchaser was being used to fund the ongoing carrying costs during the extension period, the Petitioners in consultation with the Monitor determined that the final tranche of funding from the DIP Lender would not be required given the proximity to the closing date for the Winning APA.
25. Accordingly, the total advances received from the DIP Lender were \$853,000.
26. On February 25, 2019, the Monitor was notified by BC Hydro that Purewal's account had fallen into arrears and payment had to be made or the service would be disconnected.
27. Since funding from the DIP Loan was frozen, the Monitor contacted the Purchaser to enquire if it would consent to the Monitor using some of the extension fee to pay the arrears and avoid the disconnection.
28. The Monitor suggested that the payment could then be repaid as an adjustment to the calculation of funds required to close the Winning APA.
29. The Purchaser consented to the use of the extension fee and accordingly after advising the Petitioners and its legal counsel, the payment for the arrears was made to BC Hydro by the Monitor.

UPDATE ON THE SALE PROCESS

30. As indicated in the Second Report, the outside date for closing the Winning APA was January 26, 2019.
31. However, as noted in the Third Report, the principal of the Purchaser had suffered a health issue immediately following the auction which had caused a delay in the Purchaser organizing the financing from FCC required to close the transaction.
32. On January 22, 2019 the Purchaser submitted a written request through its legal counsel seeking an extension of the date for closing the Winning APA to a date not later than March 8, 2019.
33. The terms of the extension agreement (the “**Extension Agreement**”) were as follows:
 - (a) The Purchaser would increase its deposit by an amount of \$200,000;
 - (b) The Purchaser would pay an extension fee of \$150,000 to the Monitor to be applied in payment of those costs incurred during the period from January 26, 2019 to the closing date (the “**Extension Costs**”);
 - (c) The Monitor would provide an accounting of the Extension Costs within a reasonable period following the closing of the Winning APA; and
 - (d) The Petitioners would forthwith apply to the Court for approval of the Extension Agreement.
34. As indicated previously, on February 6, 2019 the Petitioners sought and obtained an order of the Court approving the Extension Agreement including an extension of the closing date to March 8, 2019 or a date as agreed between the Monitor, on behalf of Purewal, and the Purchaser not later than 21 days after March 8, 2019.

35. Prior to the Petitioners agreeing to the Extension Agreement, the Monitor had discussed the purchaser's financing with a representative of FCC and had been advised that the financing was approved subject to receipt of an appraisal on the processing plant.
36. In or around early-February 2019, FCC's appraiser discovered that there was a party on the property utilizing some shipping containers located outside the processing plant, for the cultivation of cannabis (the "**Party**").
37. The appraiser reported the finding to FCC and to the Purchaser.
38. The Purchaser's legal counsel notified the Petitioners' legal counsel indicating that FCC was still prepared to proceed with the financing provided that the shipping containers were removed from the property.
39. The Monitor was advised by the Petitioner's legal counsel of the appraiser's finding.
40. The Monitor then had a series of discussions with Gurdawar Purewal, the representative of the Petitioners (the "**Representative**").
41. Through these discussions the Monitor was advised that the Representative had entered into an agreement with the Party prior to the commencement of the NOI and the Party had been paying the Representative and two of his cousins, Parminder Purewal ("**Perry**") and Tejinder Purewal ("**Terry**") a monthly fee in the amount of \$4,000 which had not been disclosed to the Monitor. The Representative also indicated that the Party held a valid license to grow cannabis.
42. The Monitor advised the Representative that this should have been disclosed to the Monitor and it was not acceptable to be paid directly for monies that should have been directed through the Petitioners' accounts.

43. The Monitor is investigating the payments made to the Representative and his cousins and in consultation with its legal counsel is considering the remedies available to recover the amounts paid.
44. The Monitor and the Petitioner's legal counsel advised the Representative that the Party needed to make arrangements to vacate the property immediately, as its presence was holding up the Purchaser's financing.
45. The Representative contacted the Party and advised it to vacate the property. The Party rented cranes and removed the shipping containers from the property, completing their removal and clean-up on or around February 22, 2019.
46. On March 4, 2019, the Purchaser's legal counsel contacted the Petitioner's legal counsel and the Monitor to request a further extension of the closing date on the basis that the delay caused by the Party in removing the shipping containers from the property resulted in a set back in FCC's final approval for its financing.
47. The Purchaser's legal counsel sought a fourteen day extension of the closing date to March 22, 2019.
48. The Monitor contacted FCC's representative who confirmed that the financing commitment had been approved and they were in the process of instructing legal counsel to prepare the loan documentation.
49. The Purchaser's legal counsel suggested that since the delay was caused by the Petitioners, that the further Extension Costs should be its own expense. However, the Representative alleged that the Purchaser was aware of the Party prior to FCC's finding, and had not encouraged it to vacate the premises. As a result, the Purchaser and the Petitioners agreed to split the Extension Costs for a one week extension of the closing date to March 15, 2019.
50. On March 15, 2019, the Winning APA closed.



51. After allowing for property tax and utility adjustments and the BC Hydro bill paid from the extension fee (as discussed previously), proceeds of \$10,538,844 were forwarded to the Petitioner's legal counsel.
52. These funds were added to the \$615,000 of deposit funds already held by the Petitioner's legal counsel.
53. In addition, the Purchaser remitted an amount of \$14,700 in respect of provincial sales tax due on the estimated value of the equipment included in the sale.

USE OF THE CLOSING PROCEEDS

54. Subsequent to closing the Winning APA and in accordance with the AV Order, the Petitioners' legal counsel has paid the following:
 - (a) \$275,000 to 0801226 B.C. Ltd. with respect to the stalking horse termination fee pursuant to an order of the Court pronounced October 11, 2018;
 - (b) \$924,562 to Blueberry Holdings (GP) Ltd. consisting of principal and interest on monies advanced pursuant to the Interim Lender's Charge;
 - (c) \$3,915,501 to Blueberry Holdings (GP) Ltd. pursuant to amounts owing to it pursuant to its mortgage registered against the processing plant property; and
 - (d) \$2,403 to the Canada Revenue Agency ("CRA") on account of a charge registered in priority to Blueberry Holdings (GP) Ltd. for unremitted employee payroll source deductions of Purewal.

55. In addition, a payment in the amount of \$353,576 was paid to the City of Pitt Meadows relating to outstanding property taxes and utilities for 2017 and 2018 plus penalties and interest.
56. At the end of each taxation year, any unpaid water bills are added to the City of Pitt Meadows tax account. During the process of closing the Winning APA, it was discovered that all of the water bills for the Purewal group's properties were linked to the processing plant property.
57. Accordingly, the payment to the City of Pitt Meadows included all of the outstanding water bills for 2017 and 2018, including the water used in 2018 for the property subject to the lease with the Pitt Meadows Airport Society, which will be discussed in further detail in a subsequent section of the report.
58. Pursuant to the AV Order, the balance of the proceeds was to be held by the Petitioners' legal counsel pending either further order of the Court or agreement by the affected parties.
59. After payment of the above noted secured charges, the two remaining parties with priority claims to the balance of the proceeds are CRA and Harjinder Singh Berar, Karmjit Singh Berar and Berar Farms Ltd. (collectively "**Berar**").
60. The Petitioner's legal counsel contacted CRA and Berar's legal counsel to obtain their consent to allow the amount of \$450,000 pursuant to the Administrative Charge to be released to the Petitioner's legal counsel so that the outstanding fees of the professionals could be brought current.
61. With the consent of Berar and CRA, the outstanding fees and disbursements of the Monitor and its legal counsel and the fees and disbursements of the Petitioner's legal counsel were substantially paid. After the payment, the outstanding balance of billed professional fees that would be subject to the Administrative Charge is approximately \$8,000.

62. The table below summarizes the receipts and uses of the proceeds from the sale of the processing plant and the balance held by the Petitioner’s legal counsel:

Sale proceeds	10,538,844
Deposit #1	415,000
Deposit #2	200,000
Total receipts	<u>11,153,844</u>
City of Pitt Meadows for unpaid property taxes	(353,576)
Stalking Horse fee	(275,000)
Blueberry Holdings (GP) Limited - mortgage	(3,915,501)
Blueberry Holdings (GP) Limited - DIP Loan	(924,562)
Payment to CRA	(2,403)
Admin charge	(450,000)
Total disbursements	<u>(5,921,042)</u>
Surplus	<u>5,232,802</u>

THE CRA AND BERAR CLAIMS

CRA

63. As noted in the Third Report of the Monitor, CRA filed a claim against Purewal in the amount of \$5.4 million related to unremitted source deductions and unremitted goods and services tax. The claim was broken down into a deemed trust claim in the amount of \$3.5 million and an unsecured claim in the amount of \$1.9 million.
64. On December 5, 2018, an auditor from CRA visited Purewal’s offices to conduct an audit on the payroll records for the calendar years 2017 and 2018.
65. As a result of the audit, CRA issued a revised proof of claim in the amount of \$5.2 million comprising a deemed trust claim in the amount of \$2.8 million, a secured claim in the amount of \$682,000 secured by a mortgage against the processing plant and an unsecured claim in the amount of \$1.7 million. The \$682,000 claim secured a debt of Purewal Bros. Enterprises Ltd., a company related to Purewal.

66. The revised proof of claim was forwarded by the Monitor to the former accountant (the “**Contractor**”) for review. Although the amount of the overall claim and the deemed trust amount was reduced, the Contractor was not able to reconcile Purewal’s records to the CRA audit examination.
67. The Monitor discussed the matter with CRA’s collection representative who agreed to undertake an analysis of Purewal’s payroll records for the 2014 – 2016 calendar years. The Monitor also suggested that the CRA claim appeared to include amounts outstanding in respect of 0740656 B.C. Ltd. (“**074**”), a company related to the Petitioners.
68. However, as 074 was not a Petitioner in the CCAA proceedings, the collector was unable to discuss the account with the Monitor but agreed to consult with the auditor who had performed the audit on 074’s accounts.
69. Subsequently, on February 14, 2019, a further revised proof of claim was submitted by CRA reducing the Deemed Trust to \$1.8 million.
70. As discussed in a subsequent section, the Petitioners’ are seeking to add 074 to these CCAA proceedings. If approved, the Contractor and the Monitor would then have access to discuss the account with CRA and determine which of the Petitioners’ company’s debts comprise the Deemed Trust.

Berar

71. As detailed in the Second Report of the Monitor, the Berar claim relates to a complex series of transactions related to a 140 acre farm with blueberry plantings (the “**Richmond Farm**”) that was previously owned by Purewal.
72. In September 2013, Purewal sold an undivided 1/10 interest in the Richmond Farm to Harjinder Singh Berar and Karmjit Kaur Berar and an undivided 4/10 interest in the Richmond Farm to Berar Farms Ltd. (collectively “**Berar**”).



73. In conjunction with the sale, the Partnership entered into a lease with Berar (the “**Richmond Lease**”). The primary terms of the Richmond Lease are as follows:
- (a) 10 year term commencing September 2013, expiring in September 2023;
 - (b) Annual rent of \$339,900 plus applicable taxes due in advance of each lease year;
 - (c) Constructed as a net lease with the tenant assuming responsibility for all operating costs; and
 - (d) Purewal and the Brothers’ Companies each provided a guarantee for the performance of the Partnership’s obligations under the lease.
74. In support of their guaranties, Purewal and the Brother’s Companies granted collateral mortgages in favour of Berar over all of the properties owned by Purewal and the Brother’s Companies, including the processing plant (the “**Collateral Mortgages**”).
75. In February 2016, Purewal then sold its remaining 5/10 undivided interest in the Richmond Farm to 1043806 B.C. Ltd. (“**104**”). Pursuant to the terms of the sale agreement, 104 covenanted to assume the Richmond Lease and indemnify Purewal against any liability under the Richmond Lease.
76. In addition, 104 provided a covenant to use its best commercial efforts to remove the Collateral Mortgages by replacing it with alternative security and in any event 104 was to indemnify Purewal for any claims made against the Collateral Mortgages.
77. Under the terms of the Richmond Lease, Purewal was prohibited from assigning the lease without the consent of Berar, which consent was not to be unreasonably withheld.

78. Subsequent to closing the sale with 104, Purewal forwarded a document to 104 purporting to assign the Richmond Lease to 104. The document was signed by Purewal, 104 and representatives of the Brother's Companies, however the Monitor was advised by Berar that it had not consented to the assignment.
79. The Monitor is further advised by Berar that to date 104 has not replaced the Collateral Mortgages.
80. Berar has filed a claim in these proceedings for its rent arrears from 2017, however it has also expressed the following additional concerns for which a claim has not yet been filed:
- (a) The 2018 rent payment in the amount of \$339,900 plus taxes is now due;
 - (b) Due to the Petitioner's lack of working capital, the Richmond Farm has suffered damages due to neglect;
 - (c) Given that the Partnership is no longer farming the Richmond Farm, Berar is seeking control of the Richmond Lease for its remaining term; and
 - (d) As a result of the damages, the rent that Berar will now be able to achieve has been reduced and accordingly the rent differential for the remaining term of the lease will need to be taken into account.
81. At Berar's request, Barinder Thiara ("**Thiara**") who farmed the Richmond Farm in 2018, prepared a schedule of measures (the "**Thiara Report**") that it thought would need to be performed in order to re-establish the Richmond Farm back to the state it was in at the time of Purewal's sale to 104. The estimated total cost indicated in the Thiara Report was approximately \$800,000. To date, Berar has not formally submitted a claim for these alleged damages.

82. The Monitor notes that Thiara had expressed an interest in farming the Richmond Farm in 2019 and therefore suggests that the objectivity in the Thiara Report needs to be considered.
83. A copy of the Thiara Report was provided to the Monitor who forwarded it to the Petitioners and its legal counsel.
84. On March 8, 2019, the Monitor met with the Representative and Berar to canvas each party's views of the Thiara Report and assess whether there was potential for a settlement of the Berar claim on a consensual basis.
85. The meeting concluded with the parties narrowing the range of the claim amount on the basis of some concepts that were then incorporated into a draft form of settlement agreement prepared by the Petitioners' legal counsel.
86. The draft form of settlement agreement has been forwarded to Berar's legal counsel for review. The Monitor is cautiously optimistic that a settlement can be achieved which would be brought to this Honourable Court for approval in a subsequent application.

RENT DUE FROM THIARA

87. In 2016, the rent due to Berar pursuant to the Richmond Lease was paid by 104 directly to Berar, and 104 sublet the Richmond Farm to another party. However, in 2017 the rent payment due to Berar for the 2018 blueberry harvest was not made. As a result, Purewal purported to sublet the Richmond Farm to another farmer, Thiara, for rent of \$250,000.
88. As noted in the Third Report of the Monitor, Thiara harvested the blueberries from the Richmond Farm during the 2018 summer, however to date the rent payment has not been made by Thiara to any of Purewal, 104 or Berar.

89. In November 2018, 104 had sought and obtained garnishee orders against the two processors used by Thiara for the 2018 harvest, however no amounts were paid pursuant to the garnishee orders.
90. On April 11, 2019 Purewal's legal counsel sent a letter to Thiara demanding payment of the outstanding rent payment for 2018. To date, no reply has been received from Thiara and Purewal is now considering the remedies available to it moving forward.

ACCESS TO BOOKS AND RECORDS

91. The Petitioners' office was located on the processing plant property. The office contains all of the books and records and the server on which the electronic records were maintained.
92. The Monitor contacted the Purchaser prior to closing the Winning APA and it agreed to provide the Contractor with access, upon prior notice, to remove the books and records and copy the accounting records from the server.

MISSING ASSETS

93. In early July 2018, Pemberton Leasing ("**Pemberton**"), a creditor who had entered into three lease agreements with Purewal for packaging equipment, engaged a bailiff to seize the assets subject to its lease agreements. Without the Proposal Trustee's knowledge, the bailiff accessed the processing plant and removed the equipment subject to Pemberton's leases.
94. Upon being advised by the Representative of the equipment removal, the Proposal Trustee notified Purewal's legal counsel in addition to reminding the Representative that no assets were to be removed without the Proposal Trustee's knowledge.

95. The Proposal Trustee advised the Representative that the proper process would have been for Pemberton to file a property proof of claim that would then be reviewed by the Proposal Trustee and its legal counsel prior to any release of equipment.
96. Purewal's legal counsel contacted the bailiff that had executed the equipment removal on behalf of Pemberton to request copies of the leasing agreements and any other documentation regarding its seizure of the assets.
97. The bailiff referred Purewal's legal counsel to legal counsel for Pemberton, who advised that the leases were true leases and accordingly Purewal had no interest in the equipment.
98. Copies of the leases were forwarded by Pemberton's legal counsel to Purewal's legal counsel for its review and investigation.
99. After reviewing the leases and investigating the sequence of events with representatives of Purewal, legal counsel to Purewal advised the Monitor that on the balance of factors, the leases were more consistent with the characteristics of a true lease than those of a financing lease.
100. The Monitor requested its counsel to review the legal analysis conducted by Purewal's counsel as the equipment subject to the leases had significant value.
101. The Monitor's counsel reviewed the leases and prepared a memo reviewing the factors outlined in the leading case on the characterization of lease agreements, *Smith Brothers Contracting Ltd.*
102. Although the leases have characteristics of both true leases and financing leases, the Monitor's counsel was also of the view that the leases were more likely to be characterized as true leases.

103. Accordingly, Purewal does not intend to further pursue the recovery of this equipment.
104. At the time of commencing the Sale Process, Purewal was unable to provide the Proposal Trustee with a list of equipment located on the processing plant's premises.
105. In addition, there was no one available to assist with the preparation of an equipment list.
106. As a result, the Sale Process was structured on the basis that interested parties needed to perform their own due diligence to determine what they were buying in addition to the land and the processing plant. The Representative was made available for scheduling site tours with any of the interested parties.
107. Prior to the commencement of the NOI, the Purchaser was provided with an equipment list and toured the property with Gurjit Purewal.
108. Subsequent to the commencement of the Sale Process, the Proposal Trustee offered to arrange a site tour with the Purchaser, but the Purchaser did not seek a site tour.
109. Accordingly, subsequent to the auction process and prior to closing the Winning APA, the Purchaser became aware of the missing Pemberton leased equipment. In addition, the Purchaser alleged that other equipment that was present at the time of his site tour with Gurjit Purewal, was also now missing.
110. The Monitor advised the Purchaser that the Pemberton leased equipment was subject to a true lease and therefore was never property of the Petitioners available for sale.

111. With respect to the other equipment alleged to be missing, the Monitor advised that security had been in place since the beginning of September and that there had been no reports of equipment being removed.
112. The Monitor contacted the Representative who indicated that some of the equipment alleged to be missing, had been moved into storage containers prior to the NOI filing and offered to assist in locating it.
113. The issue was not able to be resolved prior to closing the Winning APA and as a result the Purchaser closed under protest.
114. Subsequent to closing the Winning APA, the Monitor was informed by the Representative that he had been working with the Purchaser and had managed to locate several of the substantive pieces of equipment alleged to have been missing.

AN UPDATE ON THE CLAIMS PROCESS

115. As noted previously, on July 5, 2018 the Court granted the Claims Process Order. As the books and records of Purewal were not complete or up to date, the intention of the Claims Process Order was to provide Purewal and its legal counsel with greater clarity as to the existence and quantum of creditor claims.
116. Attached as Appendix A is a list of the creditor claims received.
117. The Claims Process Order was limited to the claims against Purewal and did not include a claims bar date.

118. Accordingly, the Petitioners are seeking the Court's approval to broaden the scope of the Claims Process Order to include 0726365 B.C. Ltd., 0726368 B.C. Ltd., 0726357 B.C. Ltd., Purewal Farms Partnership which were added as Petitioners in these proceedings subsequent to the date of the Claims Process Order. The Petitioners are also seeking to add 074 on the assumption that it is added as an additional petitioner to these proceedings.
119. A summary of the provisions of the expanded claims process (the "**Expanded Claims Process**") are as follows:
- (a) Within three days of obtaining the order, the Monitor will forward a Claims Package to all known creditors of the Petitioners;
 - (b) Within four days of obtaining the order, the Monitor will take steps to publish a notice in the Vancouver Sun newspaper advising of the Expanded Claims Process;
 - (c) Within two days of obtaining the order, the Monitor will post on its website, the following documents: order, the Instruction Letter, a blank Proof of Claim form and a blank Notice of Dispute form;
 - (d) Any creditor who has already filed a claim as a result of the Claims Process, may rely on that claim and will not be not required to file a new claim;
 - (e) Creditors shall have until the close of business on June 15, 2019 to file their claims (the "**Claims Bar Date**");
 - (f) The Monitor in consultation with the Petitioners shall have 30 days after the Claims Bar date to revise or disallow a creditor's claim.

120. In the Monitor's view, the Expanded Claims Process is necessary in order to ascertain the full spectrum of claims against the Petitioners and has been designed to minimize the impact on those creditors who have previously filed a claim in these proceedings.
121. Accordingly, the Monitor is supportive of the Expanded Claims Process.

REQUEST TO ADD COMPANIES TO THE CCAA PROCEEDINGS

122. As indicated in the Second Report of the Monitor, the Petitioners were considering adding 074 to these CCAA proceedings and have now obtained 074's consent.
123. As described in the Second Report, 074 is a company with common ownership to Purewal. 074 held a leasehold interest in certain land around the Pitt Meadows Airport (the "**Airport Lease**"). The landlord to that lease was the Pitt Meadows Airport Society (the "**PMAS**").
124. As detailed in the Second Report of the Monitor, the Airport Lease was purportedly surrendered in July 2018 and a new lease was entered into with respect to the same property as between PMAS and a company under the control of Perry and Terry, Phoenix Farms Ltd..
125. The Monitor understands that 074 was originally used to employ the labour for the Purewal group's farming operations.
126. The Monitor has been provided with a copy of 074's financial statement as at May 31, 2016 which is the most current set available. It would appear from those financial statements that 074 is insolvent as its assets would not have been sufficient to meet its current liabilities.
127. Attached as Appendix B is a Corporate Organization chart indicating the ownership of 074, Purewal and the Partnership.

128. During the Claims Process, a claim was filed by the Director of Employment Standards (“DES”) in the amount of \$1.781 million against Purewal, 1078429 B.C. Ltd. (“107”) and 074 on a joint and several basis.
129. The Monitor understands that 107 was also used to employ labour for the Purewal group’s farming operations. The directors of this company were Perry and Terry until July 28, 2017. A notice of change of directors was filed on January 2, 2018 retroactively changing the director to Gurjit Purewal.
130. Given that the claim of the DES is filed on a joint and several basis, the Monitor is of the view that the assets of 074 should be pursued to mitigate the claim against Purewal relating to the debts of 074 and 107.
131. As noted previously, the claim filed by CRA also appears to include amounts relating to unremitted employee source deductions related to 074.
132. It is the Monitor’s preliminary understanding that the per acre rental fee included in the Airport Lease is \$750 which is substantially below the market rate for a farm of similar quality which would rent for approximately \$2,500 per acre.
133. As a result, the Airport Lease would appear to have significant value if it were to be marketed to blueberry farmers or other potential lessees.
134. Accordingly, the Monitor is supportive of 074’s inclusion in these CCAA proceedings.

OTHER ASSETS

135. As noted in prior reports, Purewal is the legal owner of a property located at 13549 Hale Road, Pitt Meadows (the “**Homes Property**”), consisting of approximately 19 acres of land, most of which is planted with blueberry bushes. The Homes Property contains two homes which are the residences of Malkiat, Charan and Gurjit Purewal.
136. As at July 1, 2018 the assessed value of the Homes Property according to BC Assessments was \$788,225. With the consent of the Petitioners, the Monitor retained the services of an appraiser to provide a current market assessment of the Homes Property. The appraisal will not be made publicly available at this time in the event the property is sold or otherwise transferred.
137. As noted in the First Report of the Monitor, a Declaration of Trust was entered into on October 1, 2005 between Purewal Blueberry Farms Ltd. and each of the Brothers’ Companies.
138. The Declaration of Trust provides that certain of the assets (including the Homes Property and the land on which the processing plant resides) is legally owned by Purewal but held by Purewal as a bare trust for the Brother’s Companies.
139. To date, the Declaration of Trust and the ancillary documents surrounding it have not been substantively investigated by the Petitioners’ counsel or by the Monitor’s counsel.
140. Now that there are residual funds from the sale of the processing plant, the Monitor believes that a fulsome review of the trust relationship should be conducted so that once the results of the Expanded Claims Process is completed, an analysis can be prepared as to the impact of the trust arrangement with respect to the claims of unsecured creditors.

141. Pursuant to an order of this Court dated February 6, 2019, the Partnership was added as a Petitioner to these proceedings.
142. The Monitor requested from the Representative a list of farming equipment owned by the Partnership. The Representative indicated that a list of equipment was not readily available but he would endeavor to obtain one.
143. The Representative contacted the former insurance broker for the Partnership who provided a list of all assets that were insured. In addition, the insurance broker advised that several pieces of equipment were transferred from the Partnership in July 2018 to 1148918 B.C. Ltd., a company controlled by Perry and Terry
144. It is unclear as to what, if any, consideration was received by the Partnership for the transfer of the equipment and assuming the Court approves the Monitor's enhanced powers, it intends to investigate this.

THE MONITOR'S ENHANCED POWERS

145. As indicated in the Fourth Report, certain of the Petitioners' actions that have been detailed in this report, have raised concerns with the Monitor.
146. The Monitor has discussed its concerns with the Petitioners and its legal counsel and as a result, the Petitioners have agreed to enhance the powers of the Monitor and give it the authority to:
 - (a) Investigate and take any steps considered necessary to recover assets transferred from the Petitioners;
 - (b) Investigate and seek independent legal advice with respect to the Declaration of Trust dated October 1, 2005 between Purewal Blueberry Farms Ltd. and the Brothers' Companies;

- (c) Take possession of any assets recovered as a result of these investigations by the Monitor;
- (d) Engage consultants and appraisers or other persons as deemed necessary by the Monitor to assist with the exercise of the Monitor's powers and duties;
- (e) Receive and collect all monies owed to the Petitioners;
- (f) Settle any indebtedness due by or to the Petitioners;
- (g) Initiate, prosecute or continue the prosecution of any proceedings instituted or defend any proceedings instituted with respect to the Petitioners, the Petitioners' property or the Monitor;
- (h) Report to, meet with or discuss with any persons as the Monitor deems appropriate on all matters relating to these proceedings;
- (i) Register a copy of this order against title to any of the Petitioners' property;
- (j) Apply for any permits, licenses or approvals as may be required;
- (k) Enter into agreements with any Trustee in Bankruptcy appointed in respect of any of the Petitioners;
- (l) Exercise any shareholder, partnership or joint venture agreement the Petitioners may have; and
- (m) Take any steps reasonably incidental to any of these powers.

147. The Monitor is of the view that the enhanced powers as noted above, will allow for an independent party to investigate and remedy the concerning actions noted in this report, and protect the interests of all stakeholders and accordingly supports the granting of the order.

PETITIONERS' REQUEST TO EXTEND THE STAY OF PROCEEDINGS

148. The Petitioners are seeking an extension of the provisions of the Initial Order, including the stay of proceedings, to August 13, 2019. Absent such extension, the stay will expire on May 6, 2019.

149. The Petitioners are seeking an extension for the following reasons:

- (a) to provide the time required to execute the Expanded Claims Process;
- (b) to finalize a settlement of the Berar claim;
- (c) to finalize the amount owing pursuant to CRA's claim;
- (d) to provide an opportunity to review the events surrounding the Airport Lease and evaluate remedies with respect to a potential realization on this asset;
- (e) to investigate other assets that have been potentially diverted; and
- (f) to provide the Petitioners with the time necessary for the Petitioners in conjunction with its legal counsel to formulate a plan of arrangement to its creditors.

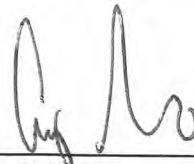
150. The Monitor has considered the tests that the Court must be satisfied with in order to grant an extension of the stay of proceedings to the Petitioners, namely that:

- (a) the Petitioners must be acting in good faith and with due diligence; and
- (b) the Petitioners satisfy the Court that circumstances exist that make the order appropriate.
- (c) As outlined above, the Monitor has some significant concerns with respect to the conduct of certain parties related to the Petitioners. Absent the expanded powers being granted, the Monitor would have concerns as to the conduct of the Petitioners and whether a further extension would be warranted. However, because the Petitioners have agreed to the expanded powers, and because the business has been sold, the Monitor believes that the Petitioners are acting in sufficiently good faith and due diligence such that the extension of the stay of proceedings is in the best interests of all stakeholders.

151. Accordingly, the Monitor supports the Petitioners' request for an extension of the stay of proceedings to August 13, 2019.

All of which is respectfully submitted this 29th day of April, 2019.

FTI Consulting Canada Inc., in its capacity as
Monitor of Purewal Blueberry Farms Ltd.,
0726365 B.C. Ltd., 0726368 B.C. Ltd., 0726357
B.C. Ltd. and Purewal Farms Partnership



Name: Craig Munro
Title: Managing Director,
FTI Consulting Canada Inc.

APPENDIX A

Purewal Bankruptcy Claims Register

Creditor	Claim Against	Secured or Unsecured	POC
0699840 BC Ltd	Purewal Blueberry Farms Ltd.	Unsecured	\$ 143,810.00
1078429 BC Ltd	Purewal Blueberry Farms Ltd., Purewal Partnership Farms	Unsecured	\$ 2,075,935.28
A&B Packing Equipment Inc.	Purewal Blueberry Farms Ltd.	Unsecured	\$ 750.09
ABC Stationers Ltd.	Purewal Blueberry Farms Ltd.	Unsecured	\$ 42,694.22
Advanced Mobile First Aid & Safety	Purewal Blueberry Farms Ltd.	Unsecured	\$ 1,452.59
Argo Partners II LLC assigned from Bunzl Canad	Purewal Blueberry Farms Ltd.	Unsecured	\$ 1,348,586.74
Argo Partners II LLC assigned from Coastal Mou	Purewal Blueberry Farms Ltd.	Unsecured	\$ 3,322.51
Argo Partners II LLC assigned from Enviro Pallet	Purewal Blueberry Farms Ltd.	Unsecured	\$ 21,156.80
Argo Partners II LLC assigned from Fraser Valley Packers Inc	Purewal Blueberry Farms Ltd.	Unsecured	\$ 900,575.48
Argo Partners II LLC assigned from BC Blueberry	Purewal Blueberry Farms Ltd.	Unsecured	\$ 73,389.24
BC Hydro	Purewal Blueberry Farms Ltd.	Unsecured	\$ 10,870.35
Bell Mobility	Purewal Blueberry Farms Ltd.	Unsecured	\$ 4,570.92
Berar Farms Ltd.	Purewal Blueberry Farms Ltd., 0726357 BC Ltd., 0726365 BC Ltd. and 0726368 BC Ltd., Other (Gurjit Singh Purewal, Malkiat Singh Purewal and Charan Singh Purewal)	Secured	\$ 356,798.90
BKS Blueberry Farm Ltd.	Purewal Blueberry Farms Ltd.	Unsecured	\$ 109,477.90
BKS Enterprises Ltd.	Purewal Blueberry Farms Ltd.	Unsecured	\$ 26,250.00
BKS Enterprises Ltd.	Purewal Blueberry Farms Ltd.	Unsecured	\$ 352,979.82
Can American Enterprises Ltd.	Purewal Blueberry Farms Ltd.	Unsecured	\$ 4,400.00
Canadian Food Inspection Agency - CFIA	Purewal Blueberry Farms Ltd.	Unsecured	\$ 1,175.55
Charan S Purewal	Purewal Blueberry Farms Ltd.	Unsecured	\$ 14,322.91
Citi Cards Canada Inc	Purewal Blueberry Farms Ltd.	Unsecured	\$ 15,959.90
Computerworks Ltd.	Purewal Blueberry Farms Ltd.	Unsecured	\$ 36,868.73
David James Gemmell	Purewal Blueberry Farms Ltd.	Unsecured	\$ 5,983.75
Dependable Pest Solutions	Purewal Blueberry Farms Ltd.	Unsecured	\$ 181,948.69
Dhaliwal Farms	Purewal Blueberry Farms Ltd.	Unsecured	\$ 98,415.00
Eboo Keshani	Purewal Blueberry Farms Ltd.	Severance	

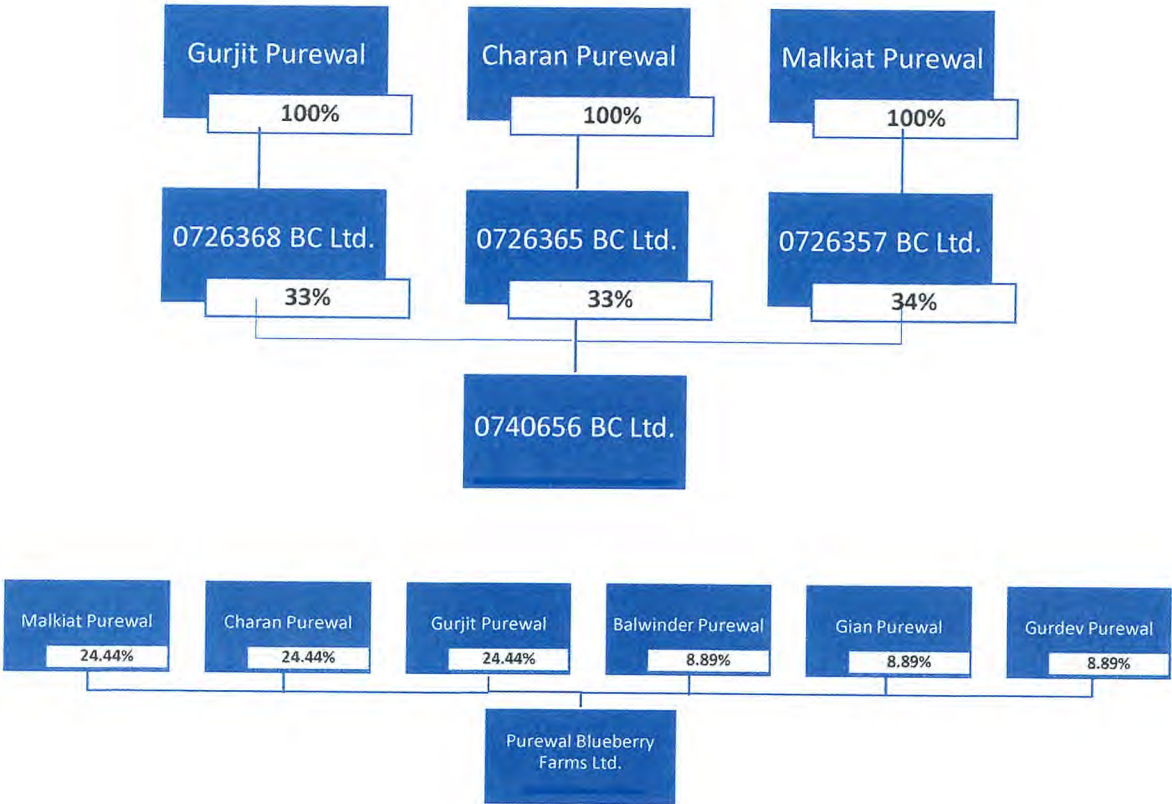
Fasken Martineau DuMoulin LLP	Purewal Blueberry Farms Ltd.	Unsecured	\$ 25,012.40
Gloalfert Inc	Purewal Blueberry Farms Ltd.	Unsecured	\$ 8,130.15
	0726357 BC Ltd., 0726365 BC Ltd.,		
	0726368 BC Ltd. and Purewal Farm		
Growers Supply Co.	Partnership	Unsecured	\$ 89,151.51
Gurdawar Purewal	Purewal Blueberry Farms Ltd.	Unsecured	\$ 166,128.22
Gurjit S Purewal			
Gurjit S. Purewal	Purewal Blueberry Farms Ltd.	Unsecured	\$ 450,166.50
	Purewal Blueberry Farms Ltd., 0726357 BC		
	Ltd., 0726365 BC Ltd. and 0726368 BC		
	Ltd., Other (Gurjit Singh Purewal, Malkiat		
Harjinder Singh Berar and Karmjit Kaur Berar	Singh Purewal and Charan Singh Purewal)	Secured	\$ 59,122.87
Imran Ally Osman	Purewal Blueberry Farms Ltd.	Unsecured	\$ 12,500.00
JL Munro Fire Protection	Purewal Blueberry Farms Ltd.	Unsecured	\$ 2,073.75
Joginder Singh Ghag	Purewal Blueberry Farms Ltd. & Other		
	(Charan Singh, Malkiat Singh and Gurjit		
	Singh Purewal)	Unsecured	\$ 623,759.59
JRT Nurseries Inc.	Purewal Blueberry Farms Ltd., 0726357 BC		
	Ltd., 0726365 BC Ltd. and 0726368 BC Ltd.	Unsecured	\$ 240,156.94
JS Audit Group Inc. / Primus Auditing Ops	Purewal Blueberry Farms Ltd.	Unsecured	\$ 4,463.08
	Purewal Blueberry Farms Ltd., 0726357 BC		
	Ltd., 0726365 BC Ltd. and 0726368 BC Ltd.	Default Judgement (Unsecured)	\$ 61,198.49
Kinder Sidhu & Associates Inc.	Purewal Blueberry Farms Ltd.	Unsecured	\$ 6,975.16
Konica Minolta Premier Finance	Purewal Blueberry Farms Ltd.	Unsecured	\$ 365,151.31
Malkiat Purewal & Palvinder Kaur Bains	Purewal Blueberry Farms Ltd.		
Malkiat S Purwal			
Metro-Pacific Cellular Inc	Purewal Blueberry Farms Ltd.	Unsecured	\$ 85,000.00
Ministry of Labour - Director of Employment	Purewal Blueberry Farms Ltd., Other (\$ 851.18
Standards - BC Gov't	1078429 BC Ltd. and 0740656 BC Ltd.)	Unsecured	\$ 1,781,439.97
Moga Blueberry Farms Ltd.	Purewal Blueberry Farms Ltd.	Unsecured	\$ 45,278.29

Nature's Blue Foods Ltd	Purewal Blueberry Farms Ltd.	Unsecured	\$ 115,615.00
Nova Express Millennium Inc.	Purewal Blueberry Farms Ltd.	Unsecured	\$ 39.00
Nutrien AG Solutions	Purewal Blueberry Farms Ltd.	Unsecured	\$ 68,895.65
Okanagan Fertilizer Ltd.	Purewal Blueberry Farms Ltd.	Unsecured	\$ 72,001.76
Pacific Blue Cross	Purewal Blueberry Farms Ltd.	Unsecured	\$ 4,511.26
Palmynder S Purewall	Purewal Blueberry Farms Ltd.	Unsecured	\$ 99,000.00
Prices Alarms - Claim #1	Purewal Blueberry Farms Ltd.	Unsecured	\$ 422.10
Prices Alarms - Claim #2	Purewal Blueberry Farms Ltd.	Unsecured	\$ 681.66
Receiver General - Agricultural Credit Corp. - AN0726368 BC Ltd.	0726357 BC Ltd., 0726365 BC Ltd. and 0726368 BC Ltd.	Unsecured	\$ 184,923.89
Receiver General - Canada Revenue Agency - UrPurewal Blueberry Farms Ltd.	UrPurewal Blueberry Farms Ltd.	Unsecured	\$ 1,712,083.87
Receiver General -Canada Revenue Agency - Pr(Purewal Blueberry Farms Ltd.	Pr(Purewal Blueberry Farms Ltd.	Deemed Trust	\$ 2,790,345.77
Receiver General -Canada Revenue Agency - Se: Purewal Blueberry Farms Ltd.	Se: Purewal Blueberry Farms Ltd.	Secured	\$ 682,380.80
Rupinder K Purewal	Purewal Blueberry Farms Ltd.	Unsecured	\$ 91,392.32
Savin Chim	0740656 BC Ltd.	Unsecured	\$ 3,235.00
Shao Shan Wu	Purewal Blueberry Farms Ltd.	Severance	\$ 82,812.50
Steve Dhaliwal	Purewal Blueberry Farms Ltd.	Unsecured	\$ 200,000.00
Super Save Disposal Inc	Purewal Blueberry Farms Ltd.	Unsecured	\$ 69,812.97
Surjit Kaur Shokar	Purewal Blueberry Farms Ltd.	Secured	\$ 660,000.00
Tajinder S Purewal	Purewal Blueberry Farms Ltd.	Unsecured	\$ 100,000.00
Thiara Brothers Ent. Ltd.	Purewal Blueberry Farms Ltd.	Unsecured	\$ 1,369,386.60
Tiffany Gale	Purewal Blueberry Farms Ltd.	Severance	\$ 4,256.00
Tom's Agri-Services Ltd	Purewal Blueberry Farms Ltd.	Unsecured	\$ 20,069.25
Total Quality Logistics, LLC	Purewal Blueberry Farms Ltd.	Unsecured	\$ 25,744.96
Vanderwal Equipment 89 Ltd.	Purewal Blueberry Farms Ltd.	Unsecured	\$ 38,870.43
Vijay Dhillon	Purewal Blueberry Farms Ltd.	Unsecured	\$ 516,310.32
Total Claims Received: 69			\$ 18,771,045.89

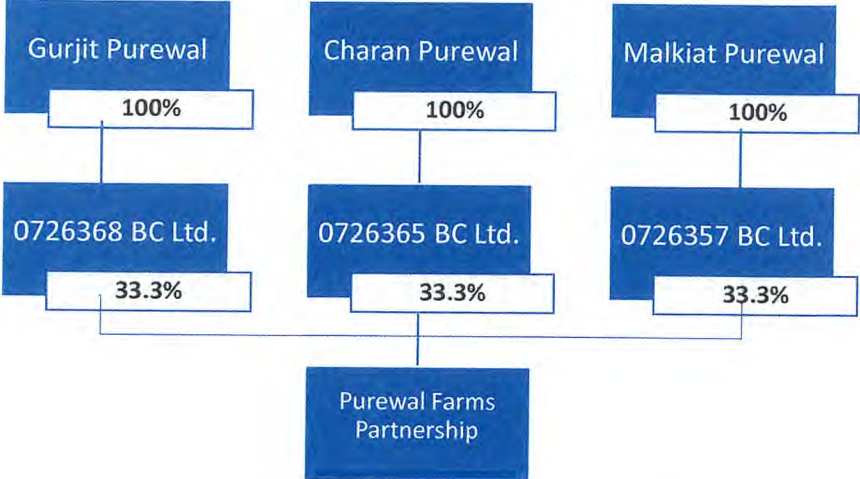
Fx Rate = \$1.2836

APPENDIX B

Corporate Organization



Based on information obtained from the Central Securities Register for each of the companies



Based on information obtained from the BC Registry Services