



IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF THE NOTICE OF INTENTION
TO MAKE A PROPOSAL OF
PUREWAL BLUEBERRY FARMS LTD.

AFFIDAVIT

I, Gurdawar Purewal, of 14325 Harris Rd, Pitt Meadows, British Columbia V3Y 1Z1,
SWEAR THAT

1. I am an authorized signatory of Purewal Blueberry Farms Ltd. ("Purewal") and as such have personal knowledge of the facts and matters hereinafter deposed to, save and except where the same are stated to be based on information and belief, and where so stated I verily believe the same to be true and correct. I am authorized by Purewal to swear this affidavit for the purpose of this proceeding.
2. Purewal was incorporated in 1981 and over a span of 30 years has been in the business of producing, packing and marketing blueberries. Purewal was founded by my father Malkait Purewal and his brothers Charan and Gurjit Purewal. Each of the brothers hold a 1/3 ownership in the assets of Purewal through their numbered companies 0726357 BC Ltd., 0726365 BC Ltd. and 0726368 BC Ltd.
3. At one point in time, Purewal was very successful and it was recognized as the single largest blueberry production and packing company in North America; packing, grading and processing 20-25 million pounds of blueberries on a yearly basis. For the past 15 years or so, I have been involved in an active role in the marketing and sales activities operations of the blueberry business overseeing the relationships with Purewal's major corporate buyers. In addition as my father and uncles aged and became less involved in the day to day running of the business, I took more responsibility including business administration and fulfilling the duties that were formerly undertaken by my father and uncles. I have a background in marketing and sales, but no formal business education.
4. In 2007/2008, Purewal expanded its farming operations in the lower mainland with the planting of over 200 acres of additional blueberries in Pitt Meadows on a leasehold property. The cost of this project in the approximate amount of \$3.0 million was funded from operating activities and had a significant negative impact on cash flows and management's ability to adequately fund its farming and packing operations. The shortage of working capital impacted both grower and supplier confidence which further attributed to the downward spiral of Purewal.

5. Due to management issues, no clear direction from the elderly brothers, increased competition from other blueberry producers, lack of working capital, and the fluctuating prices of blueberries, the Purewal business suffered greatly. A number of measures were taken to dispose of blueberry producing properties held by Purewal in Abbotsford, Coquitlam and Pitt Meadows. The companies sold 368 acres of blueberry producing properties, including a one half interest in its delivery farm in Richmond, BC for a total sale price of approximately \$37 million. Substantially all of the net proceeds from the property sales were applied towards reduction of long-term debt and outstanding payroll accounts. Between 2013 and 2016 Purewal subsequently leased back 147 acres of blueberry plantings from the new property owners.

6. Unfortunately, these measures were not sufficient to stem the losses in Purewal. The mortgage given to Purewal's senior secured lender, Lloyd Investments Ltd., in the principal amount of \$12,000,000 which was subsequently assigned to Blueberry Holdings (GP) Ltd. was foreclosed upon on September 21, 2017, and an Order Nisi of Foreclosure was pronounced on January 11, 2018 with a six month redemption expiring July 11, 2018. In April 2018, Purewal located a purchaser for the sale of the lands and premises located at 4300 Oliver Rd., Coquitlam, BC which consisted of 165 acres of blueberry plantings. 4300 Oliver Rd. was owned by Newbury Farms Ltd. (a wholly-owned subsidiary of Purewal) as bare trustee for the numbered companies. The purchase price was \$8 million. The proceeds substantially paid down Blueberry Holdings GP Ltd., leaving a balance owing of approximately \$3.5 million.

7. The last remaining assets of the Purewal blueberry business consist of three main assets as follows:

- An industrial building utilized as a food storage, packaging and distribution warehouse (the "Processing Plant") located at 13753 Hale Road, Pitt Meadows. Overall the Processing Plant has a total area of 108,693 sq. ft. of which 16,559 sq ft is a commercial freezer. The Processing Plant is situated on 39.49 acres of blueberry plantings, Arc Appraisals Ltd. In 2011 appraised the land base (39.49 acres) at \$3,060,000, the blueberry plantings at \$380,000, and the processing plant and fixed equipment at \$6,270,000 for a total of \$9,710,000. In addition, the processing and other business related equipment was valued at \$3,593,850. As of today's date, the equipment is probably worth approximately \$2.0 million.
- 13549 Hale Road, Pitt Meadows, which consists of 2 dwellings situated on 18.77 acres in which the Purewal family reside, this property was appraised in the amount of \$1,690,000 apportioned as follows \$940,000 for land, \$500,000 for buildings and \$250,000 for blueberry plantings. As of today's date the land and buildings are worth approximately \$2.2 million.
- Long term leasehold interest in a blueberry operation in Pitt Meadows consisting of 165 acres of blueberry plantings. This asset has a present day value of approximately \$1.2 million.

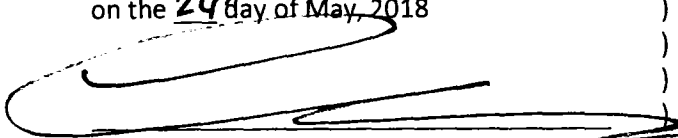
8. The aggregate secured debt that is outstanding is approximately \$8.4 million comprised of \$3.5 million owed to Blueberry Holdings (GP) LTD, \$4.5 million to CRA for source deductions and \$400,000 under a guarantee for lease obligations. The amounts allegedly owing to CRA need to be further verified resulting from tax assessments based on prior years, and accordingly the amount will be revised downwards.

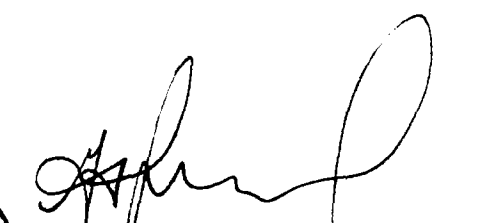
9. At this point in time after the secured debt, there is at least \$3.5 million in equity available to be distributed to the unsecured creditors by way of a Proposal. Purewal is in urgent need to access working capital to allow it to meet its ongoing post-filing obligations and preserve value for its stakeholders. In this regard, BC Hydro has threatened to terminate services, the insurance premium on the Processing Plant in the amount of \$40,000 needs to be paid, and ongoing obligations need to be met. Accordingly, it has reached an agreement with the senior secured lender Blueberry Holdings (GP) Ltd to borrow up to \$1.0 million to fund the Proposal proceedings. Now shown to me and attached as Exhibit "A" to this my affidavit is a true copy of the executed term sheet dated May 24th, 2018

10. Purewal needs an extension of the stay to allow it to formulate a restructuring that may include a refinancing, recapitalization or equity investment. The extension of the stay will allow it time and breathing room to meet its post-filing obligations and formulate a proposal to its unsecured creditors. It is my firm belief that if given the opportunity to do so, Purewal will be able to make a viable proposal to its creditors that will be a better alternative to bankruptcy. The senior secured creditor is willing to assist Purewal in this regard by being supportive of the proposal proceedings and agreeing to provide financing. Purewal has acted and is acting in good faith and due diligence in this regard. Due to the equity remaining in the assets of Purewal, no creditor will be materially prejudiced if the extension of the stay is granted.

11. I make this affidavit in support of an extension of the stay for 45 days and in support of an order authorizing debtor in possession financing in accordance with the term sheet attached Exhibit "A" to this my affidavit

SWORN BEFORE ME at the City
of Vancouver, British Columbia
on the 24th day of May, 2018


A commissioner for taking oaths for British
Columbia



GURDWAR PUREWAL

CHRISTOPHER J. RAMSAY
Barrister & Solicitor
CLARK WILSON LLP
900 - 885 WEST GEORGIA STREET
VANCOUVER, BC V6C 3H1
T. 604.687.5700

TERM SHEET FOR SENIOR SECURED SUPER-PRIORITY DEBTOR-IN-POSSESSION (DIP) CREDIT FACILITY
(the "Term Sheet")

BORROWER: Purewal Blueberry Limited (the "Borrower")

LENDER: Blueberry Holdings (GP) LTD.

CURRENCY: All monetary references are in Canadian dollars.

FACILITY/AMOUNT: Subject to the approval by the British Columbia Supreme Court (the "Court") of sufficient powers of the DIP borrowing facility, a credit facility will be available to the maximum amount of \$1,000,000 (the "Credit Facility").

TRANCHES: The Facility will be advanced in Tranches based on milestones and further tranches will be advanced at the sole discretion of the Lender

Tranche A - \$75,000 immediately

Tranche B - \$75,000 once the Lender has received an uncontested Conduct of Sale pursuant to their Order Nisi dated X

Tranche C - \$50,000 per month as needed *at sole discretion acting reasonably*

Tranche D - The remaining amounts to facilitate the sale of the assets which should in of itself provide working capital to carry out the plan of arrangement and repay the DIP facility

BIA PROPOSAL PROCEEDINGS: The Credit Facility is made pursuant to the Notice of Intention filed X, 2018 pursuant to the *Bankruptcy and Insolvency Act* (Canada) (the "Notice of Intention") and such future orders as may be granted by the Court in the proceedings (the "Proposal Proceedings").

SECURITY: Security (the "Security") for repayment of the Credit Facility is a fully perfected first-ranking court-ordered super-priority registered charge against the assets of the Borrower.

CONDITIONS PRECEDENT TO CLOSING: The Credit Facility shall be subject to the following conditions precedent:

- a) Court approval and authorization of a DIP borrowing charge with the priority contemplated herein, authorizing the payment of the Lender of all the Credit Facility, and such orders being in full force and effect, unamend and not stayed;

~~b) the Borrower shall have paid all fees then owing to the Lender;~~

~~c) Provision of a cash flow forecast to the satisfaction of the Lender; and~~

This is Exhibit ^A referred to in the affidavit of

Gisela Dawn Purewal sworn (or affirmed)

before me on *24th May 2018* [dd/mmm/yyyy]

A Commissioner for taking Affidavits
within British Columbia

~~d) Provision of a list of owned equipment and other assets to the satisfaction of the Lender with support of evidence of title as necessary and~~ KAD

~~e) Such other conditions precedent as are customary and reasonable in the circumstances;~~ KAD

(Collectively, the "Conditions Precedent").

AVAILABILITY: Provided that no Event of Default has occurred and is then continuing, on and after the date on which the Conditions Precedent shall have been satisfied, the Borrower may request advances under the Credit Facility.

MATURITY: The maturity of the Credit Facility (the "Maturity Date") shall be the earliest of:

- (i.) The sale of 13753 Hale Road; 13549 Hale Road; or the leasehold interest in Airport Property (description)
- (ii.) the date any stay of proceedings with respect to the Proposal Proceedings expires; or
- (iii.) 10 business days following written notice being provided by the Lender to the Borrower of an unremedied Event of Default.

INTEREST: ^{15%}
13% per annum. KAD

LENDING FEES: ^{\$15,000}
\$50,000 earned upon the acceptance of this DIP financing and court acceptance KAD

LEGAL : All legal fees incurred by the Lender with respect to this DIP financing and all other matters with the Borrower are to be paid by the Borrower from the date of acceptance.

CLOSING DATE: As soon as practicable following satisfaction or waiver of all Conditions Precedent, or such later date as the Lender may approve (the "Closing Date").

REPAYMENT: All amounts outstanding under the Credit Facility, principal and interest, shall be repaid on demand by the Lender.

REPRESENTATIONS AND WARRANTIES: The Borrower represents and warrants to the Lender:

- (a) The Borrower has full corporate power and authority to enter into and perform its obligations provided for under this Term Sheet.
- (b) This Term Sheet has been duly authorized by all necessary corporate action.
- (c) Accuracy of Information. All written information delivered by the Borrower to the Lender in connection with this Term Sheet is accurate in all material respects and contains no material misstatement of fact nor does it omit a material fact the omission of which would make such information misleading in light of the circumstances in which the statements contained therein were made; and, to the extent that there

are financial forecasts contained in such information, they have been prepared on the basis of reasonable assumptions and procedures and represent an estimate of the results forecast therein.

- (d) Default. No Event of Default has occurred and is continuing.
- (e) Defects of Title and Liens. There is no deficiency or defect in the title of the Borrower to the assets reasonably to be expected to have a Material Adverse Effect.
- (f) The Borrower does not contest a conduct of sale under the order nisi issued by the lender 112 1/2
- ~~(g) Confirmation by CRA, the Crown and the Lender(s) legal counsel that this DIP financing takes priority and is secured over the Real Estate Assets and is in first position.~~

EVENTS OF DEFAULT:

"Material Adverse Effect" means (i) any adverse effect on the commercial operations or situation (financial or otherwise) of the Borrower that, in the Lender's opinion acting reasonably, is material; (ii) any adverse effect on the ability of the Borrower to perform and discharge its obligations which, in the Lender's opinion acting reasonably, is material; or (iii) any event that would constitute an Event of Default or any event which, with the giving of notice or lapse of time or otherwise, could constitute an Event of Default.

Each of the following events constitutes an "Event of Default" under this Term Sheet whether any such Event of Default shall be voluntary or involuntary or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any governmental authority:

- (a) Payment. The Borrower fails to make any payment of fees, interest or principal when due and payable;
- (b) Breach or Default of Borrower. The Borrower commits a material breach of, or defaults in the due and prompt performance or observance of, any of its material covenants, conditions or obligations pursuant to this Term Sheet or any other document and such breach is not remedied within 10 days after the Borrower has received written notice thereof;
- (c) Change of Proposal Trustee. There is a change in the party appointed as Proposal Trustee over the assets of the Borrower without the prior written consent of the Lender;
- (d) Operation of Ineligible Activity. The Borrower engages or permits the assets to be used, by the Borrower or any other person, for the purpose of an ineligible activity in the Proposal Proceedings or otherwise;
- (e) Jeopardy. The Lender in good faith and on commercially reasonable grounds believes that the prospect of payment or performance of any of the Security is impaired or that any of the Property is or is about to be placed in jeopardy.

CONFIDENTIAL:

This Term Sheet is being provided to you on the condition that its existence and contents will be kept confidential and will not be disclosed by you to any other person without the Lender's prior written consent except to those individuals who have a need to know as a result of their being specifically involved in the proposed transaction.

GOVERNING LAW:

This Term Sheet is governed by, and will be interpreted in accordance with, the laws of the Province of British Columbia.

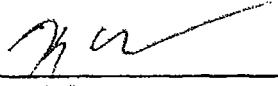
COUNTERPART EXECUTION:

This Term Sheet and all other documents related thereto or arising there from may be executed in any number of counterparts (including by facsimile transmission) and by different parties in separate counterparts, each of which when so executed will be deemed to be an original and all of which taken together will constitute one and the same instrument.

This Term Sheet is open for acceptance until ~~1, 2015~~ ^{MAY 25, 2015}

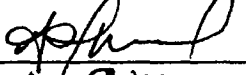


◆

By: 

Name: ◆ Blueberry Holdings GP LP
Title: ◆ Director

Purewal Blueberry Limited

By: 

Name: ◆ GULSHAR PURWAL
Title: ◆ COO

ACCEPTED this 24 day of MAY, 2015.



THIS IS A NON-BINDING TERM SHEET FOR DISCUSSION PURPOSES ONLY AND IS SUBJECT TO REVIEW AND REVISION BY LENDERS LEGAL COUNSEL