



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**

**SIXTH REPORT OF THE MONITOR**

**July 8, 2019**

## INTRODUCTION

1. On April 30, 2018, Purewal Blueberry Farms Ltd. (“**Purewal**”) filed a Notice of Intention to File a Proposal with the Superintendent of Bankruptcy and commenced proceedings pursuant to Part III, Division I of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA Proceedings**”). FTI Consulting Canada Inc. (“**FTI**” or the “**Monitor**”) was appointed trustee under the BIA Proceedings.
2. On October 11, 2018, the Supreme Court of British Columbia (the “**Court**”) granted an order that provided for, among other things:
  - (a) converting the BIA Proceedings to proceedings under the *Companies’ Creditors Arrangement Act* R.S.C. 1985 c.36, as amended (the “**CCAA Proceedings**”) and expanding the proceedings to include 0726357 B.C. Ltd., 0726365 B.C. Ltd. and 0726368 B.C. Ltd. (collectively, the “**Petitioners**”);
  - (b) continuing the Court orders granted in the BIA Proceeding;
  - (c) granting a stay of proceedings against the Petitioners until November 9, 2018 (the “**Stay Period**”); and
  - (d) appointing FTI as Monitor under the CCAA Proceedings.
3. The Stay Period has been extended until August 13, 2019 pursuant to subsequent orders of the Court.
4. On December 12, 2018, the Court granted an order which provided for, among other things, approval of the sale of the Petitioners’ blueberry processing facility including approximately 40 acres of farm land located in Pitt Meadows, British Columbia and vesting title in the purchaser. The sale of the processing facility closed on March 15, 2019.

5. The Petitioners' remaining assets include, among other things, a parcel of real property comprised of 19 acres of farm land and two residential homes located at 13549 Hale Road, Pitt Meadows, British Columbia (the "**Homes Property**").
6. This Sixth Report of the Monitor is a special purpose report intended to provide the Court and the Petitioners' stakeholders with information with respect to a material adverse change resulting from the lapse of the Petitioners' farm insurance coverage with respect to the Homes Property.
7. The reports filed by FTI under the BIA Proceedings and CCAA Proceedings and other information in respect of these proceedings are posted on the Monitor's website at <http://cfcanda.fticonsulting.com/purewal/>.

#### **TERMS OF REFERENCE**

8. 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**").
9. 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.
10. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

## THE HOMES PROPERTY

11. As described in the Fifth Report of the Monitor dated April 29, 2019 (the “**Fifth Report**”), the Homes Property consists of two residences and approximately 19 acres of land, most of which is planted with blueberry bushes. The residences are currently occupied by Malkiat, Charan and Gurjit Purewal who are members of the Purewal family and majority beneficial owners of the Petitioners.
12. Based on a recent confidential fair market appraisal of the property and other indications of value, the Monitor is of the view that the residences constructed on the Homes Property represent significant value to the Petitioners.
13. Several stakeholders may have an interest in the Homes Property including:
  - (a) professional services providers in respect of the CCAA Proceedings pursuant to the Administration Charge granted in the within proceedings;
  - (b) Canada Revenue Agency in respect of a deemed trust claim;
  - (c) Harjinder Singh Berar, Karmjit Singh Berar and Berar Farms Ltd. in respect of collateral mortgages granted in support of rental arrears and alleged damages in respect of a lease on a separate property; and
  - (d) unsecured creditors of the Petitioners.
14. Details regarding the interests in the Petitioners’ assets claimed by the above listed stakeholder constituencies are described in the Fifth Report and are not repeated herein.
15. Prior to the commencement of the CCAA Proceedings, the Company’s interest in the Homes Property was insured by a farm insurance policy with a policy term scheduled to expire on June 16, 2019.

16. On June 24, 2019, the Monitor became aware by correspondence from the Company's insurance broker that the Petitioners' farm insurance policy in respect of the Homes Property had not been renewed at the end of the policy term and that coverage had lapsed. The Petitioners advised the Monitor that the previous insurer has declined to renew coverage on the basis that, among other things, Purewal had failed to address certain recommendations tabled by the insurer at the prior renewal date.
17. The Company has undertaken various measures to obtain replacement coverage as well as mitigate the risk of uninsured loss including:
  - (a) completing the recommendations identified by the incumbent insurer, including the replacement of a water heater and certain braided hoses, which recommendations were reported by the Petitioners to have been completed on June 28, 2019; and
  - (b) instructing its insurance brokerage to seek replacement insurance coverage from other underwriters.
18. As of July 8, 2019, the Monitor was advised by the Petitioner's insurance broker, that it had managed to find an underwriter that would assume 50% of the risk. The insurance broker further advised that it was continuing its best efforts to locate an underwriter for the remaining 50%.
19. Accordingly, at this time despite efforts to source replacement coverage, the Petitioners are currently uninsured against property and third-party liability risk with respect to the Homes Property.
20. An uninsured loss, should it occur, could have a material negative impact on the the financial position of the Petitioners and deteriorate the position of the Petitioners' creditors with an interest in the subject property.

## MATERIAL ADVERSE CHANGE

21. It is the Monitor's view that the lapsed insurance in respect of the Homes Property, which is one of the Company's primary remaining assets in the CCAA Proceedings represents a material adverse change.
22. Due to the nature and profile of the Petitioners and the Homes Property, it is uncertain whether the Company will be successful in obtaining replacement insurance in the near term.
23. Overall, the Monitor is satisfied that the Petitioners are undertaking reasonable efforts to source replacement insurance for the Home Property and mitigate the risk of loss while it remains uninsured. Accordingly, the Monitor does not recommend any specific actions to be taken by affected stakeholders at this time.

All of which is respectfully submitted this 8<sup>th</sup> day of July, 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



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