

COURT FILE NUMBER B-180285
VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN BANKRUPTCY AND INSOLVENCY

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

THIRD REPORT OF THE PROPOSAL TRUSTEE

AUGUST 20, 2018

INTRODUCTION

1. This report (“**Third Report**”) has been prepared by FTI Consulting Canada Inc. (“**FTI**”) in its capacity as the Trustee (the “**Proposal Trustee**”) under a Notice of Intention to File a Proposal (“**NOI**”) signed by Purewal Blueberry Farms Ltd. (“**Purewal**” or the “**Company**”) as of March 28, 2018 but filed with the Superintendent of Bankruptcy on April 30, 2018 pursuant to Part III, Division I of the Bankruptcy and Insolvency Act, R.S.C. 1985, c. B-3, as amended (the “**BIA**”).
2. The reports of the Proposal Trustee and other information in respect of these proceedings are posted on the Proposal Trustee’s website at <http://cfcanada.fticonsulting.com/purewal/>.

PURPOSE

3. On May 28, 2018, the Proposal Trustee filed its first report (the “**First Report**”), which informed the Court on the following:
 - (a) The activities of the Company since the filing of its NOI;
 - (b) The Company’s efforts to secure funding for its on-going costs during this proceeding;
 - (c) An analysis of the Company’s actual cash receipts and disbursements to date, compared to the forecast filed on May 10, 2018;
 - (d) The Companies’ cash flow projection for the period from May 28, 2018 to July 13, 2018;
 - (e) The rationale for the proposed Professional Charge (as defined in the First Report) over the Company’s assets to secure the professional fees and disbursements in relation to these proceedings; and
 - (f) The Company’s request for an extension of the current stay of proceedings under the NOI from May 30, 2018 to July 13, 2018.

4. On May 30, 2018, an Order of this Honourable Court was granted providing the following relief:
 - (a) An extension of the stay of proceedings for the Company to July 13, 2018;
 - (b) An administrative charge in favour of and for the benefit of the Proposal Trustee, its counsel and counsel for the Company in an amount not exceeding \$200,000;
 - (c) Approval for the Company to enter into a loan agreement with its primary secured lender (the “**DIP Lender**”) to borrow an amount up to \$500,000 to fund the Company’s working capital needs during this proceeding; and
 - (d) A charge in favour of the DIP Lender in the amount of \$500,000.

5. On June 27, 2018 the Proposal Trustee filed its second report (the “**Second Report**”) which provided the Court with an update on the following:
 - (a) The activities of the Company since the filing of the First Report;
 - (b) The Company’s desire to initiate a sale process (the “**Sale Process**”) as a necessary step to facilitate the Company’s restructuring;
 - (c) The rationale for the implementation of a claims process for the determination of claims against the Company (the “**Claims Process**”); and
 - (d) The Company’s request for an extension of the current stay of proceedings under the NOI from July 13, 2018 to August 27, 2018.

6. On July 5, 2018, three orders were granted by this Honourable Court which provided the following relief:
 - (a) An extension of the Company’s stay of proceedings from July 13, 2018 to August 27, 2018;

- (b) The approval of the Sale Process with respect to the blueberry processing plant owned by the Company; and
 - (c) The approval of the Claims Process.
7. The purpose of the Third Report is to provide the Court with an update on the following:
- (a) The activities of the Company since the filing of the Second Report;
 - (b) An update on the status of the Sale Process;
 - (c) An update on the status of the Claims Process; and
 - (d) The Company's request for an extension of the current stay of proceedings under the NOI from August 27, 2018 to October 11, 2018.

TERMS OF REFERENCE

8. In preparing this report, the Proposal Trustee has relied upon unaudited financial information, other information available to the Proposal Trustee and, where appropriate, the Company's books and records and discussions with various parties (collectively, the "**Information**").
9. Except as described in this report:
- (a) The Proposal Trustee 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; and

- (b) The Proposal Trustee 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.
- 10. 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.
- 11. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

UPDATE ON THE COMPANY'S ACTIVITIES

12. Subsequent to the approval of the DIP, two tranches totaling \$200,000 have been advanced by the Lender to the Company's legal counsel.
13. With the approval of the Company, the following payments have been made from the funding received:

Payee	Amount	Purpose
Clark Wilson	50,000.00	Retainer for legal counsel
FTI Consulting	50,000.00	Retainer for Proposal Trustee
Blueberry Holdings (GP) Ltd.	17,500.00	Lending fee for DIP plus legal fees
Insurance	37,880.50	Property insurance for the processing plant
Inet Consulting	2,790.55	Internet support services
Price's Alarm System	265.89	Alarm monitoring
BC Hydro	29,249.70	Electrical service provided since NOI filing date
Contractor fees	11,949.09	Payments to former accounting staff for assistance
	<u>\$ 199,635.73</u>	

14. The Company has essentially closed the processing plant for operations. The facility has temporary accommodations for housing farm workers which continues to be utilized for this purpose.
15. The related company has been making payments to BC Hydro for its estimated electrical consumption.
16. The Company is in the process of securing another \$200,000 tranche to continue to fund holding costs and the professional fees related to these proceedings.

UPDATE ON THE COMPANY'S SALE PROCESS

17. Following the granting of the order approving the Sale Process, the Proposal Trustee placed advertisements in the national edition of the Globe and Mail and in the Vancouver Sun notifying interested parties of the opportunity to acquire the Company's processing plant.

18. With the assistance of the Company, the Proposal Trustee prepared a Summary of the Acquisition Opportunity which was forwarded to fifteen parties who were either known to be interested based on their previous discussions with the Company or who contacted the Proposal Trustee after reading the newspaper advertisement.
19. In addition to the Summary of the Acquisition Opportunity, a copy of the bidding procedures and a blank form Non Disclosure Agreement (“NDA”) were forwarded to the interested parties.
20. Five parties signed NDA’s and site tours were arranged for four parties.
21. For those parties signing an NDA, the following additional documents were provided:
 - (a) Notice to Reader financial statements for the years ended May 31, 2014, 2015 and 2016 as prepared by the Company’s external accountant;
 - (b) The filed income tax return for Purewal Blueberry Farms Ltd. for the year ended December 31, 2016; and
 - (c) Appendices from a 2011 appraisal report detailing the processing plant equipment with the caveat that neither the Company nor the Proposal Trustee had updated the schedules and that the interested party would need to do its own due diligence as to the completeness of the lists.
22. The Sale Process included a provision for any interested party to submit a stalking horse bid. The original deadline for submission of stalking horse bids was July 30, 2018.

23. However a blank form of a Stalking Horse Asset Purchase Agreement (the “**SH APA**”) was not finalized until July 27, 2018. Accordingly, the Proposal Trustee forwarded a copy of the SH APA to all interested parties on July 27, 2018 and informed them that due to the delay in circulating the document, the deadline for submission of bids had been extended to August 15, 2018.
24. On August 15, 2018, one stalking horse bid was received. A SH APA was submitted by the interested party with some minor revisions to the agreement. Legal counsel to the Company has discussed the bid with the Company and it is anticipated that a final form of the SH APA will be acceptable to the Company.
25. The timing of the expiration of the current stay of proceedings didn’t appear to align with the timing of finalizing the SH APA and accordingly the Proposal Trustee expects the Company’s legal counsel to return to Court within the next two weeks seeking the approval of this Honourable Court of the SH APA.
26. Given the expected timing for that application, the Proposal Trustee notes that the timing for submission of other bids will likely need to be extended from the original deadline to provide other interested parties with a reasonable period of time to consider the SH APA.

AN UPDATE ON THE CLAIMS PROCESS

27. In accordance with the Claims Process Order, on July 10, 2018 the Proposal Trustee mailed a notice to all known creditors of the Company informing them of the claims process and requesting the filing of proofs of claim. Included with the notice package was a copy of the Claims Process Order, a blank form proof of claim and instructions for completing the proof of claim.
28. In addition, the Proposal Trustee placed notices in the Globe and Mail and the Vancouver Sun regarding the Claims Process.
29. The Proposal Trustee utilizes the service of a third party for its mailings. Subsequent to mailing the notices for the Claims Process, the Proposal Trustee became aware of some issues with the mailing to several creditors. Accordingly, the Proposal Trustee re-issued the notice to all known creditors.
30. As there was no claims bar date in the Claims Process Order, the Proposal Trustee notes that no creditor would be prejudiced by the deficiency in the initial mailing and will accept claims received after the Claims Submission Date.
31. To the date of this report, the Proposal Trustee has received 31 claims totaling approximately \$13.2 million. Included in this is one deemed trust claim from Canada Revenue Agency in the amount of \$3.5 million two secured claims totaling \$416,000. The balance of the claims received are unsecured.

COMPANY'S REQUEST FOR AN EXTENSION

32. The Company is seeking an extension of the stay of proceedings from August 27, 2018 to October 11, 2018. The Company is seeking an extension for the following reasons:
- (a) To provide the Proposal Trustee and Company with the time required to pursue and finalize a sale of the processing plant that would allow the Company to reduce its debt and assist in formulating a proposal to its unsecured creditors; and
 - (b) To provide the Proposal Trustee and the Company with the time required to conduct its Claims Process to determine the quantum of claims for the purpose of formulating the Company's proposal to its unsecured creditors.
33. The Proposal Trustee in conjunction with the Company's legal counsel are continuing to assess the Company's financial position including the quantum of its claims. Accordingly, the Proposal Trustee is of the view that no creditor will be materially prejudiced by an extension of the stay of proceedings as this process would need to be performed under any proceeding.
34. The Proposal Trustee has spoken to a few creditors who appear to be supportive of the Company and its founding owners. Accordingly, it appears that a viable proposal is an achievable outcome.
35. As a result of the forgoing, the Proposal Trustee supports the Company's request for an extension of its stay of proceedings based on the following:
- (a) The Company is acting in good faith and with due diligence;

- (b) The Secured Lender is supportive of the Company's efforts and is providing funding pursuant to its DIP Loan;
36. The Company's Sales Process appears to be progressing well and it is anticipated that the Company will be returning to Court in the near future to seek the approval of a stalking horse bid.

All of which is respectfully submitted this 20th day of August, 2018.

FTI Consulting Canada Inc.,
in its capacity as Proposal Trustee under a NOI
filed by Purewal Blueberry Farms Ltd.



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