Cause No.: SJM-46-2020

IN THE COURT OF QUEEN'S BENCH OF NEW BRUNSWICK

IN BANKRUPTCY AND INSOLVENCY

JUDICIAL DISTRICT OF SAINT JOHN

COURT OF QUEEN'S BENCH
CLERK / SAINT JOHN
REC'D / REÇU JUN 19 2020 FILED / DÉPOSÉ
COUR DU BANC DE LA REINE
GREFFIÈRE / SAINT-JOHN

IN THE MATTER OF THE RECEIVERSHIP OF:

HILLSPRING FARMS LTD., HSF FOODS LTD. and HILLSPRING WAREHOUSE & LOGISTICS INC.

-and-

PURSUANT TO Section 33 of The *Judicature Act*, R.S.N.B. 1973, Ch. J-2, Rule 41, Rules of Court, New Brunswick and Section 243 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3

BETWEEN:

FARM CREDIT CANADA, a Federal Crown Corporation

-and-

HILLSPRING FARMS LTD., HSF FOODS LTD. and HILLSPRING WAREHOUSE & LOGISTICS INC., each a New Brunswick Corporation

APPLICANTS,

- and –

HILLSPRING FARMS LTD., HSF FOODS LTD. and HILLSPRING WAREHOUSE & LOGISTICS INC., each a New Brunswick Corporation

RESPONDENTS

AFFIDAVIT

I, David A. Boyd, CPA, CA, CIRP, LIT, of the City of Halifax, Province of Nova Scotia, MAKE OATH AND SAY AS FOLLOWS:

1. I am a Senior Vice President in the Deals Practice of PricewaterhouseCoopers Inc. ("**PwCI**") and, as such, have personal knowledge of the matters deposed hereto, save and except where stated to be based on information and belief, in which case I do verily believe the same to be true.

2. This Affidavit is filed in support of an application by Farm Credit Canada ("**FCC**") for the appointment of Ernst & Young Inc. ("**EYI**") as receiver over some of the property, assets and undertaking of the Respondents, Hillspring Farms Ltd., HSF Foods Ltd., and Hillspring Warehouse & Logistics Inc. (the "**Hillspring Companies**"), and for the approval of the sale of certain assets of the Respondents to McCain Produce Inc. ("**McCain**"), as described in the application documents filed by FCC (the "**Transaction**").

PROPOSED TRANSACTION FOR SALE OF SECURITY AND ASSETS

3. PwCI has been retained as a consultant on behalf of the Canadian Imperial Bank of Commerce ("**CIBC**") in relation to operations of the HSF Group of Companies, including Hillspring Companies since early in 2020. As part of this mandate, representatives of PwCI have obtained extensive knowledge of the operations, assets and issues faced by the Hillspring Companies and this knowledge forms the basis for this affidavit.

4. I have reviewed the report prepared by George Kinsman of EYI in support of the proposed asset sale from the Hillspring Companies to McCain Farms, a division of McCain Produce Inc. ("**McCain**"). I am in agreement with the opinions expressed in that report as to both the history of the matter and the fairness of the proposed Transaction.

5. CIBC holds security over certain inventory of the Hillspring Companies, which is held in priority to the security interest of FCC. As a result, the EYI report does not opine on the appropriateness of the sale of inventory of the Hillspring Companies as part of the Transaction. I believe the sale of inventory from the Hillspring Companies to McCain is set at an appropriate value, for the reasons that will be set out below.

6. PwCI conducted inventory counts for specific products in its role as a consultant. PwCI further performed an analysis of the value of the inventory, including a crosscheck of bulk and seed potato pricing to industry metrics in order to ascertain whether the Transaction is fair and reasonable in the circumstances.

7. I am of the view, in my role as a consultant with PwCI, that the quantities and pricing of the inventory in the Transaction are reasonable and that the Transaction allows for the highest return to the stakeholders with respect to the inventory assets. If the Transaction for the sale of the inventory is not approved, PwCI would likely be called upon to sell the inventory as a private receiver for CIBC. The sale would take place in a piecemeal fashion and I am of the belief that this would not result in the same value being received, as through the Transaction.

8. Selling the inventory through a private receivership will likely result in a lower value being obtained than as part of the Transaction.

9. The Inventory, in aggregate, and by category has a limited life span. The Burbank potato inventory held (with an approximate inventory book value of $3.9 million) is subject to the risk of quantity fluctuation, due to natural spoilage and shrinkage, and market price demand. Prior to the completion of the Transaction, the seed potato inventory (with an approximate inventory book value of $1.2 million) will have been planted with the expectation of the sale being approved by this Court. Should the sale not be approved, the value of the inventory may be significantly impacted and the chemical inventory (with an approximate value of $900,000) may not be fully saleable as some of it has opened packaging or permit restrictions.

10. McCain has agreed, as part of the purchase price for the Inventory, to provide a payment of $1.0 million dollars for planted input costs. As is customary in the industry, the Hillspring Companies imbedded fertilizer, chemicals and seed in the land ("**Input Costs**") in the fall of 2019 for the 2020/21 spring planting season. The Input Costs are noted on Hillspring Companies' financial statements in the inventory as a Fall Input Costs and subject to CIBC security. As these inputs are in the land, over which CIBC does not hold first mortgage security, PwCI would not be able to realize on this value if appointed as private receiver by CIBC.

11. For these reasons, and the fact that all inventory is being sold as one package in the Transaction, PwCI strongly recommends that the Transaction be approved.

12. I make this Affidavit in support of an application for an Order confirming the appointment of EYI as receiver of the Hillspring Companies and approving the Transaction and for no other or improper purpose.

SWORN TO/AFFIRMED before me at
Halifax, Province of Nova Scotia, this 19th
day of June, 2020

Sara L. Scott
A Barrister of the Supreme Court of Nova
Scotia

David A. Boyd