

IN THE COURT OF QUEEN'S BENCH OF NEW BRUNSWICK

IN BANKRUPTCY AND INSOLVENCY

JUDICIAL DISTRICT OF 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,

**SECOND REPORT OF THE RECEIVER
4 December 2020**

INTRODUCTION AND PURPOSE

1. In connection with the application of Farm Credit Canada (“**FCC**”), Hillspring Farms Ltd. (now operating as 693528 NB Ltd.); HSF Foods Ltd. and Hillspring Warehouse & Logistics Inc. (now operating as 693206 NB Inc.) and pursuant to section 33 of the Judicature Act (New Brunswick), Rule 41 of the Rules of Court of New Brunswick, and section 243 of the Bankruptcy and Insolvency Act (Canada) that was heard by the Honourable Justice Darrell J. Stephenson of the Court of Queen’s Bench of New Brunswick (the “**Court**”) on 26 June 2020, Ernst & Young Inc. was appointed as receiver and receiver manager (the “**Receiver**”) of all the Respondents’ current and future assets, undertakings and properties and wherever situate including all proceeds thereof (the “**Property**”) in relation to the business carried on by the Respondents except for the Excluded Property as defined within the Receivership Order (as defined herein).
2. A copy of the 29 June 2020 Order (the “**Receivership Order**”) with an effective time of 12:01 a.m. on 26 June 2020 is attached as **Appendix A**.
3. The Receivership Order, among other things, authorizes and empowers the Receiver to:
 - (a) take possession and control of the Property;
 - (b) receive, preserve and protect the Property, or any parts thereof;
 - (c) market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;
 - (d) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business as may be provided in an Order of this Court or
 - (i) without the approval of this Court in respect of any transaction not exceeding \$100,000, provided that the aggregate consideration for all such transactions does not exceed \$1,000,000

- (e) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property; and
 - (f) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations.
4. The purpose of this second report of the Receiver (the “**Second Report**”) is to:
- (a) update the Court on the activities of the Receiver since filing the First Report of the Receiver;
 - (b) update the Court with respect to the Receivers sales efforts in relation to the sale of the land and building situated at 147 Heller Street in Woodstock New Brunswick identified by PID 10264810 (the “**Heller Street Property**”) and seek this Courts approval of the proposed sale of the Heller Street Property to Antrim Developments Inc. (“**Antrim**”);
 - (c) provide comments with respect to the status and proposed liquidation plans in relation to certain farming equipment which McCain did not elect to purchase pursuant to the terms of the Farming Equipment Lease and seek this Courts approval of same;
 - (d) provide the Court with an update on the economic benefits realized from the previously approved sale of the Hillspring operating assets to McCain;
 - (e) seek the approval of this Honourable Court of a proposed distribution to the Secured Creditors (as defined below) that have been agreed to and accepted by the Secured Creditors; and
 - (f) seek the approval of this Honourable Court of the conduct, actions and activities of the Receiver in administering these receivership proceedings to date, including the conduct, actions and activities of the Receiver set out in this Second Report and all other reports previously filed by the Receiver in these receivership proceedings.

5. The Receiver has organized its comments within this Second Report as follows:

- (a) Terms of Reference;
- (b) Activities of the Receiver Since the First Report;
- (c) Heller Street Property Sale;
- (d) Returned Farming Equipment Liquidation Process;
- (e) Community Benefits from McCain Agreement;
- (f) Proposed Distribution to Secured Creditors; and
- (g) Conclusion and Recommendation

TERMS OF REFERENCE

6. In preparing this Second Report, the Receiver has been provided with, and has relied upon unaudited historical financial statements, other unaudited financial information and projections prepared by the Respondents, the books and records of the Respondents, discussions with the management and employees of the Respondents, and other information from various sources. The Receiver has assumed that the information it has been provided is accurate and complete. The Receiver did not audit, review or otherwise attempt to verify the accuracy or completeness of the information. Accordingly, the Receiver expresses no opinion or other form of assurance with respect to the information presented in this Second Report or relied upon by the Receiver in preparing this Second Report. Further, the nature of the Receiver's work completed in these proceedings will not necessarily disclose errors, misstatements, irregularities or illegal acts, if such exist, on the part of the Respondents, or its officers or employees or in the information.
7. All references to monetary amounts in this Second Report are in Canadian dollars unless otherwise noted.

8. Capitalized terms not otherwise defined herein have the meanings in the previous Receiver's Reports.
9. Copies of Court materials in these proceedings may be obtained from the Receiver's website established in connection with the Respondents (www.ey.com/ca/hillspring).

ACTIVITIES OF THE RECEIVER SINCE THE FIRST REPORT

10. Since filing its First Report the Receiver has completed or engaged in the following activities:
 - a) executed and completed the Auction Contract with respect to the Residual Equipment; the Carpenter Transaction with respect to the Graham Street Property; and the Transaction with respect to certain assets subject to the primary security held by BDC each of which as referenced within the First Report;
 - b) completed real property sales of PID's 10153278 and 10284115 to OPC Canada Inc. ("OPCC") for the benefit of the estate. The real property sales to OPCC were completed at prices generally consistent with the appraised real property values previously filed with this Court;
 - c) identified, secured and realized upon other miscellaneous equipment and vehicles which the Receiver found to have been registered or previously registered in the names of the Respondents which had not previously been identified;
 - d) as of 19 November 2020, the Receiver has liquidated assets of the Respondents generating gross cumulative proceeds for the estate of \$252,400 in accordance with subsection 3(m)(i) of the Receivership Order that permits any transaction not exceeding \$100,000 to be completed without specific

Court approval of such transaction provided the cumulative total of all such transactions do not exceed \$1,000,000;

- e) administered the terms of the Farming Equipment Lease with McCain in relation to 249 pieces of farming equipment leased to McCain between 30 June 2020 and 15 November 2020. Pursuant to the terms of the Farming Equipment Lease, McCain had a right of first refusal to purchase the leased farming equipment from the Receiver at the equipment's Appraised Value less rent payments paid less approved repair costs which were subject to the review and approval of the Receiver. McCain exercised its purchase option rights and acquired 230 pieces of equipment from the Receiver generating \$3,820,847.97 (net of approved expenses) for the estate. A copy of the Receivers Equipment Certificate filed with this Court on 23 November 2020 is attached as **Appendix "B"**;
- f) the Receiver secured the remaining 19 pieces of farming equipment subject to the Farming Equipment Lease which McCain did not exercise its right of first refusal on (the "**Returned Farming Equipment**"). Additional details with respect to the Receivers proposed realization strategy for the Returned Farming Equipment is outlined later in this Second Report;
- g) as previously approved by this Honourable Court, as a means of reducing the accruing interest expense payable by the Respondents to FCC and CIBC and in recognition of FCC and CIBC's valid security positions, the Receiver released interim distributions payable to FCC in the amount of \$53,489,952.12 and CIBC in the amount of \$13,714,206.14 which represented less than 98% of

the net cash proceeds generated from the McCain Transaction closing. The Receiver proposes to release a second interim distribution to FCC, CIBC and BDC (collectively the “**Secured Creditors**”), the details of which are addressed herein;

- h) the Receiver prepared and filed WEPPA claim submissions on behalf of Hillspring’s eligible employees. In response to the Covid pandemic, the Federal government enacted a temporary modification to the WEPPA program backdating the period of claim eligibility to 12 September 2019. In response, the Receiver prepared and filed amended WEPPA claim submissions on behalf of Hillspring’s eligible employees. WEPPA claims on behalf of HSF’s employees were prepared by Powell & Associates Ltd. (“**Powell**”);
 - i) Employee T4’s and ROE’s for Hillspring’s employees were prepared and issued by the Receiver. Employee T4’s and ROE’s for HSF’s employees were prepared and issued by Powell;
 - j) the Receiver continues to work with the CRA in relation to finalizing its claims against the bankrupt estates including its deemed trust claim for unremitted source deductions; and
 - k) prepared and filed this Second Report.
11. Attached as **Appendix “C”** is a copy of the interim statement of receipts and disbursements (the “**Interim SRD**”) for the period 26 June 2020 through 19 November 2020 reflecting all transactions processed through the Receivers trust account for that period including the financial recoveries associated with the transactions reported above. As at 19 November 2020, the Receiver held \$8,076,950.47 in trust.

HELLER STREET PROPERTY SALE

12. The report of the Proposed Receiver dated June 22, 2020 (the “**Proposed Receiver’s Report**”) referenced seven (7) separate parcels of real property which were to be listed for sale with a qualified real estate agent however two of the parcels were listed in error. The error was disclosed to the Court during the initial hearing. The five (5) parcels of real property properly listed for sale by the Receiver are as follows:
 - (a) PID 10284115 – Main Street Centreville SOLD to OPCC;
 - (b) PID 10153278 – Main Street Centreville SOLD to OPCC;
 - (c) PID 10121499 – 103 Graham Street SOLD to Peter Carpenter;
 - (d) PID 10277069 – 15 Andow Court currently listed for sale;
 - (e) PID 10264810 – Heller Street Property– sale pending.
13. The Receiver listed the Heller Street Property for sale on 7 July 2020 at an initial asking price of \$460,000. The listing generated no interest in the property at that price point. On 13 November 2020, the Receiver, having consulted with its realtor and FCC being the secured creditor with an economic interest in the Heller Street Property sale proceeds, reduced the listing price to \$409,000. The price reduction generated immediate interest in the property and led to a competitive bidding situation between two potential buyers.
14. The potential buyers were made aware of the competing bids and both potential buyers were asked to submit final and best bids for the Receivers consideration. In response, the Receiver was presented with two offers to purchase the Heller Street Property both at \$425,000 plus HST, each with similar terms with the sole exception that one offer was conditional on financing, but the other offer was not.
15. The Receiver instructed its realtor to accept the cash offer of Antrim which remains subject to the approval of this Honourable Court (the “**Antrim Transaction**”). A copy of the Antrim Transaction agreement of purchase and Sale (the “**Antrim APA**”) is attached

as **Appendix “D”**. The negotiated sale price that will be achieved through the Antrim Transaction is supported by the Heller Street Property appraisal report previously filed with the Court at Appendix “F3” to the Supplemental Report of the Proposed Receiver.

16. The sale of the Heller Street Property was an open and transparent process resulting in a sale price which is supported by the appraisal report previously commissioned. Attached as **Appendix “E”** is a Certificate of Registered Ownership in relation to the Heller Street Property obtained from the Registrar of Land Titles for the District of New Brunswick. As noted therein, FCC is the only secured creditor having a financial interest in the Heller Street Property and it supports the sale.

RETURNED FARMING EQUIPMENT LIQUIDATION PROCESS

17. As noted above, McCain elected not to purchase 19 pieces of farming equipment which had been subject to the Farming Equipment Lease. The Returned Farming Equipment has been secured by the Receiver at two separate holding facilities in New Brunswick:
 - (a) Six (6) units cumulatively appraised with a fair market value less than \$100,000 (the “**Immediate Auction Assets**”) have been transported to Jardine Auctioneers in Fredericton New Brunswick. The Immediate Auction Assets are comprised of the following units:
 - (i) John Deere Skid Steer 333D
 - (ii) Freightliner Classic
 - (iii) 1990 Fruehauf Semi-Trailer
 - (iv) Road Grader – 1990 Champion 730A
 - (v) 44’ High Capacity Bulk Trailer (black with black tarp)
 - (vi) 8’ Power Angle Plow/Attachment for skid steer
 - (b) Thirteen (13) units cumulatively appraised greater than \$100,000 have been transported to a secure storage yard in Perth-Andover, NB (the “**2021 Auction Assets**”). The 2021 Auction Assets are comprised of the following:

- (i) Case IH Combine 7088
- (ii) Sprayer, SPX3320
- (iii) 2003 Case International MX285
- (iv) 2017 LKWD 656 6-Row Windrower
- (v) Betterbuilt Seed Piece Treater
- (vi) Lockwood 2 Row Harvester
- (vii) Lockwood Planter # 2
- (viii) Case 966 Tractor
- (ix) Lockwood 6 Row Windrower
- (x) Big Jim 36ft. Superflex packer, 5 section, 19 inch notched ductile wheels, highway light kit, mud scrapers Conveyor
- (xi) 2012 Lockwood 506P Planter
- (xii) Lockwood 2 Row Harvester 472AH
- (xiii) Mayrath 8" PTO Grain Auger-48" Long on Wheels

18. The Immediate Auction Assets compared to the 2021 Auction Assets are generally smaller in size, easier and less costly to transport and may be used in different industries such that the market of possible buyers is quite broad. In comparison, the 2021 Auction Assets are generally larger in size, more challenging and more expensive to transport and the anticipated market for this equipment is likely limited to a select group of buyers within the regional farming community.
19. The Receiver intends to liquidate the Immediate Auction Assets through a public auction facilitated by Jardine Auctioneers subject to paragraph 3(m)(i) of the of the Receivership Order which authorizes the Receiver to sell Property out of the ordinary course of business without the approval of this Court in respect of any transaction not

exceeding \$100,000, providing that the aggregate consideration for all such transactions does not exceed \$1,000,000.

20. The Receiver proposes to liquidate the 2021 Auction Assets via an equipment auction on 26 March 2021 for the following reasons:
 - (a) 2020 was a challenging potato growing season in the region and industry stimulus funding programs from Ottawa and Washington, if any, have not yet been announced;
 - (b) the Receiver anticipates there may be US based buyer interest in the 2021 Auction Assets and the current USD currency exchange may adversely affect recovery values; and
 - (c) market interest for used farming equipment is expected to increase closer to the commencement of the next growing season such that a short deferment of the proposed liquidation for these assets may enhance anticipated recoveries.
21. Jardine Auctioneers has provided an auction proposal for the Receiver's consideration a copy of which is attached as **Appendix "F"**. The negotiated auction proposal terms establish a minimum floor price for the 2021 Auction Assets at 75% of their orderly liquidation value ("**OLV**") and a sales commission rate of 5%. Auction bids below the OLV threshold will be sold subject to the Receiver's approval and there is no cost to the Receiver if its approval is not granted.
22. The selection of Jardine as the proposed auctioneer to facilitate the auction of the 2021 Auction Assets considered Jardine's ability to provide a satisfactory storage facility, its proximity to the assets recovered from McCain, Jardine's familiarity with the 2021 Auction Assets through services previously provided to the Receiver and its capability to transport, secure and conduct an auction abiding by all relevant Covid-19 social distancing protocols.
23. The pending auction of the 2021 Auction Assets will require that the assets be transferred to purchasers free and clear of all liens and encumbrances. As a result, the Receiver requests this Court grant an Order providing that, upon payment of the

purchase price by the purchaser and a bill of sale being issued by Jardine to the purchaser of any of the 2021 Auction Assets at the public auction, that title to the property sold by Jardine will vest to the buyer.

24. For the purpose of determining the nature and priority of any claims to the 2021 Auction Assets, the monies payable to the Receiver from the sale of the 2021 Auction Assets shall stand in the place and stead of the 2021 Auction Assets, and that from and after the delivery of the bill(s) of sale to the purchaser(s) all claims shall attach to the net sale proceeds with the same priority as they had with respect to the 2021 Auction Assets immediately prior to the sale, as if the 2021 Auction Assets had not been sold and remained in the possession or control of the Receiver immediately prior to the sale.
25. The Receiver is seeking Court approval for the Receiver to liquidate the 2021 Auction Assets in this manner.

COMMUNITY BENEFITS FROM MCCAIN AGREEMENT

26. On 29 June 2020, this Honourable Court issued the McCain Sale Approval and Vesting Order with respect to a transaction (the “**McCain Transaction**”) described within the Proposed Receiver’s Report. In addition to the financial terms payable to the Receiver under the McCain Transaction, McCain agreed to provide additional support to (i) certain key local businesses essential for operating the Respondents business (ii) the local growing community and (iii) other select local businesses tied to the community.
27. This Court directed its Receiver to provide an update with respect to the additional support provided by McCain to the community in relation to the McCain Transaction. The Receiver has engaged in various discussions with representatives from McCain who reviewed through its spending calculations and provided the following commentary in relation to their commitment:

McCain Farms – Community Investment

Financial Support

McCain Farms, a division of McCain Produce Inc. has been committed to providing financial support to the local New Brunswick community. This support has taken multiple forms, and

includes: (i) the payment by its parent, McCain Foods Limited, of expenses required to operate the Debtors' business during the management period in order to prevent a sudden shutdown, which ensured the uninterrupted employment of the Debtors' employees and that potatoes would be planted on time, minimizing the effect on the local community; (ii) the payment of bonuses to employees of the business that were retained by McCain Farms; (iii) the payment to certain local vendors of a portion of the pre-filing amounts owing from the Debtors, which would have otherwise remained unpaid; and (iv) the payment of certain local advisors to the Debtors, including fees for services of lawyers, accountants and consultants.

To date, in connection with the above-noted spend, McCain Farms has invested more than \$4.5 million in support of the local New Brunswick community.

Community Commitment

Following the closing of the transaction, McCain Farms has continued to demonstrate its commitment to the local community.

McCain Farms employed 68 local employees during the harvest season and 27 during the off-season and has committed to enhancing safety procedures to ensure employees a safe work environment during the COVID-19 pandemic and beyond. To that end, McCain Farms implemented a comprehensive employee safety program which includes safety talks at the beginning of each day and strategically increased signage at its sites to improve safety awareness at both the supervisory and employee level. Moreover, McCain Farms introduced a new COVID-19 screening program which is mandatory for all individuals accessing the operations and hired two employees to perform temperature testing and screening on a daily basis. These efforts have and continue to benefit the employees of McCain Farms as well as the community at large.

McCain Farms continues to provide benefits to local businesses by maintaining supplier relationships with virtually all previous vendors of the Debtors' business as well as engaging certain additional local suppliers.

If McCain Farms had not stepped in to coordinate planting during the management period, it is unlikely that anything would have been harvested by the business this year. As a result of McCain Farms' efforts however, 2,323 acres of potatoes, 3,900 acres of grain and 1,000 acres of broadcasted oats were planted and have been harvested. McCain Farms has additionally focused on improvements to the land to ensure the soil remains farmable for years to come. A soil sampling tool has been implemented to monitor soil conditions and, as the planting and

harvesting of potatoes is damaging to the soil, a three year crop rotation was implemented - only planting potatoes on the same land once every three years. In between potato growing years, the soil is repaired by rotating grain, broadcasted oats and other cover crop.

McCain Farms has also demonstrated its commitment to its neighbours by engaging in multiple clean-up efforts to improve the farm site and surrounding areas, including significant efforts to re-landscape the site to improve its appearance, tearing down three abandoned barn structures and cleaning up a potato house and storage building which had previously burnt down. Moreover, McCain Farms is in the process of building a program to expand the utilization of the rail siding business to provide local businesses with valuable access to the Canadian National Railway.

28. As noted within the Proposed Receivers Report, absent the McCain Transaction being approved there was no certainty that a court appointed receiver would be successful to secure alternative arrangements necessary to facilitate a contract grow or short-term lease arrangement for the farming lands to properly grow, harvest and winterize the fields prior to the 2021 season. The Covid 19 pandemic would have made such a process for the Receiver even more challenging. Furthermore, there is a very limited pool of buyers capable of purchasing the farming assets and operating the business as a going concern.
29. The Receiver respectfully submits that this Courts approval of the McCain Transaction generated not only a positive financial return for the Secured Creditors but through the ongoing efforts of the purchaser, the local community including many of the estates unsecured creditors, have also benefitted from the McCain Transaction.

PROPOSED DISTRIBUTION TO SECURED CREDITORS

30. The Receiver previously obtained and filed opinions from Bingham Law, which provide, subject to what the Receiver understands to be customary assumptions and qualifications in an insolvency context, that:
 - (a) FCC and CIBC collectively have valid and enforceable security against all of the present and after-acquired personal property of each of the Respondents governed by the New Brunswick PPSA;
 - (b) the security interests in favour of FCC and CIBC in all of the present and after-

acquired personal property of each of the Respondents have been perfected by registration under the provisions of the New Brunswick PPSA and were perfected as of the date of the legal review; and

- (c) BDC was granted security through various general security agreements registered in the New Brunswick PPRS as registrations #31158975 and #31438054. The Bingham Law opinion in relation to the BDC security was qualified in that Bingham Law did not review the specific serial numbers set out in registrations under the Personal Property Security Act (the “PPSA”) against the actual equipment to ensure accuracy. A serial number registration defect within BDC’s registration against the Spudnik 2 Row Harvester 6621-55-037 (the “**2016 Spudnik**”) was identified.
- 31. Bingham Law reviewed the registration defect and determined that FCC’s security ranks first in priority with respect to the 2016 Spudnik. BDC accepted this opinion and also agreed with FCC upon the how the \$900,000 of Transaction proceeds with respect to certain assets subject to the primary security held by BDC described within the First Report are to be allocated.
 - 32. In addition, with respect to the real property of the Respondents located in the Province of New Brunswick subject to collateral mortgages and or debentures in favour of FCC and CIBC, the Bingham Law opinions obtained by the Receiver confirmed that, subject to what the Receiver understands to be customary assumptions and qualifications in an insolvency context, the collateral mortgages and debentures create, under the laws of the Province of New Brunswick, valid mortgages and charges in favour of FCC and CIBC in the applicable real property, and the mortgages and charges created by the collateral mortgages and debentures have been, or were, registered in favour of FCC and CIBC in the appropriate land title offices maintained in the Province of New Brunswick in respect of the applicable real property and are enforceable as against the applicable Respondents.
 - 33. Copies of the Bingham Law legal opinions were previously filed with this Court as part of the Proposed Receiver Report and the First Report. As previously reported, FCC,

CIBC and BDC are all expected to sustain material losses in relation to their respective advances to the Respondents.

34. The Receiver is advised by its legal counsel that all Property which the Receiver has taken possession of, other than two unencumbered parcels of real property sold to McCain as part of the Sale Agreement approved by this Court on 29 June 2020, the proceeds from which totalled \$31,513 which has been transferred to the Trustee in Bankruptcy's trust account, are all subject to the security interests of FCC, CIBC or BDC.
35. Ernst & Young Inc. acting in its capacity as Trustee in Bankruptcy of Hillspring (the "**Trustee**") did complete a claims process through which a proof of claim from Grand Falls Agromart Ltd. ("**GFA**") was filed claiming a security interest in 1,869 tonnes of grain stored at the Respondents silos. A copy of the GFA proof of claim is attached as **Appendix "G"**. On 7 August 2020, the Trustee sought clarification on certain matters associated with the GFA proof of claim including but not limited a request for GFA to produce any relevant documents supporting its claim as being a secured creditor. A copy of the Trustee's letter to GFA is attached as **Appendix "H"**.
36. GFA failed to respond to the Trustee's 7 August 2020 correspondence. As such, a Notice of Disallowance of Claim, Right to Priority or Security or Notice of Valuation of Claim was issued to GFA on 31 August 2020, a copy of which is attached as **Appendix "I"**. GFA similarly has not responded to the Trustee's disallowance of security notice.
37. All of the Respondents grain inventory was sold to McCain as part of the McCain Transaction. As between CIBC, FCC and BDC, CIBC has a prior charge in and to the Proceeds from the sale of the grain. A portion of the Proceeds from the McCain Transaction have previously been distributed to CIBC pursuant to its security interest. The Receiver has provided notice to GFA of the Receiver's upcoming hearing in which the Receiver will be seeking approval to distribute a further portion of the Proceeds to the Secured Creditors including funds to CIBC which relate to the sale of grain. GFA was asked to confirm if it intended to advance a claim and as of filing this Report they have not responded. If GFA wishes to advance a secured claim with respect to

certain grain inventories or the Proceeds within these proceedings they will be asked to file materials with the Court. Based on the information available to date, including the claim process conducted by the Trustee, the Receiver considers CIBC to be the only party with a secured claim in and to the Proceeds arising from the sale of grain.

38. The Receiver has previously released interim distributions to FCC and CIBC pursuant to the terms of the McCain Sale Approval and Vesting Order dated 29 June 2020 which authorized the Receiver to distribute up to 98% of the net proceeds as provided in the Report of the Receiver dated 22 June 2020 or such portion thereof as the Receiver may deem appropriate from the facts or adjustments on closing of the Transaction. Subsequent to the release of the initial interim distributions, and as articulated within this Second Report, the Receiver has successfully concluded other estate realizations and seeks this Courts approval for the release of a second distribution (the “**Second Distribution**”) to the Secured Creditors.
39. The Receiver recognized that, before any further distributions could be implemented, it would be necessary to allocate: (a) the costs of these receivership proceedings against the realization proceeds, as this Honourable Court had granted a first-priority “Administrative Charge” over all of the Property of the Respondents as security for payment of the reasonable fees and disbursements of the Receiver and its counsel pursuant to the Receivership Order and (b) a second-priority “Receiver’s Indemnity Charge” to secure the Receivers obligations arising from the performance of its duties as Receiver.
40. The Receivership Order sets out a method of allocation of costs for the Administrative Charge and the Receiver’s Indemnity Charge that requires a determination of the direct and indirect costs for the realization of Property of the Respondents and an application of such costs to the Property. The Receiver considered and determined that a line-by-line calculation of costs would be time consuming and costly for the estate. The Receiver was of the view that it would be prudent to discuss with the parties with an interest in the Property a potential allocation/cost-sharing mechanism that could be agreed to by the affected parties.

41. As a result, the Receiver completed a review of the claims against the Property of the Respondents and determined that the secured creditors having the proprietary interests in the realization proceeds were FCC, CIBC and BDC. As set out above, the Receiver has obtained legal opinions as to the validity and enforceability of the security of such parties over the applicable Property of the Respondents that resulted in the realization proceeds.
42. The Receiver entered into discussions with the Secured Creditors about a proposed allocation of proceeds and costs. The discussions were focussed on proposed net amounts to be distributed to each party based on the amount(s) realized for the Property of the Respondents subject to the creditor's security, taking into consideration a proposed allocation of the costs of these receivership proceedings to such Property and the maintenance of a holdback provision to address future costs and claims including a Deemed Trust Claim from CRA associated with payroll obligations.
43. A draft distribution schedule was prepared and discussed with counsel for both FCC and CIBC (1) in relation to proceed and costing allocations realized and incurred to 19 November 2020; (2) a holdback provision sufficient to maintain adequate funds necessary for the Receiver to finalize the receivership proceedings and discharge its obligations subject to the Administrative Charge, the Receiver's Indemnity Charge and satisfy CRA's Deemed Trust Claim once established; (3) counsel for FCC and BDC agreed to the allocation of proceeds generated from those certain assets subject to the primary security held by BDC as between FCC and BDC; and (4) the Secured Creditors collectively agreed to allocate the fixed amount of \$20,000 as BDC's allocation towards the costs of the receivership administration on the basis that BDC's interest and security associated with the receivership administration was generally limited in scope and value.
44. The Receiver's recommended approach was agreed to by the Secured Creditors. The Receiver's recommendation for the proposed distribution to them of, in aggregate \$6,701,523.85, subject to the approval of the Court, is as follows:
 - (a) \$714,819.09 payable to BDC as a final net distribution and allocation of administrative costs of these proceedings. Upon receipt of the proposed

distribution amount to BDC, they will have no further entitlements or participation of future costs within these receivership proceedings;

- (b) \$4,401,484.54 payable to FCC as a second interim distribution and paid as follows:
 - (i) \$4,001,484.54 subject to the approval of this Court; and
 - (ii) \$400,000 subject to the Heller Street Property sale successfully concluding and the net proceeds from the Heller Street Property sale being collected; and
 - (c) \$1,585,220.22 payable to CIBC as a second interim distribution.
45. The Receiver proposes to retain a general provision of \$1,200,000 to address future receivership costs necessary to realize upon and address future estate administrative matters including the discharge of any Deemed Trust Claim owing to CRA. A copy of the Receivers proposed proceed and cost allocation schedule supporting the proposed Second Distribution calculations is attached as **Appendix "J"**.
46. The Secured Creditors have advised the Receiver that their respective outstanding indebtedness due from the Respondents as at the date of this Second Report and prior to the release of the proposed Second Distribution is as follows:
- (a) FCC - \$18,166,007.09
 - (b) CIBC - \$5,080,840.71; and
 - (c) BDC - \$2,638,512.68
47. The Secured Creditors are each expected to sustain material losses associated with their respective advances to the Respondents. As a means of reducing the accruing interest expenses payable by the Respondents to the Secured Creditors and in recognition of the Secured Creditors' valid security positions, the Receiver recommends that the Second Distribution be approved. The proposed holdback reserve combined with future asset proceed recoveries will be maintained and used

to fund the costs of the Receivership administration pending a future distribution motion.

CONCLUSION AND RECOMMENDATION

48. The Receiver believes that it is appropriate, and recommends to this Honourable Court, that the Receiver be authorized to complete the Heller Street Property Sale, proceed to liquidate the 2021 Auction Assets in the manner proposed with the ability to grant the buyer(s) clear title to the 2021 Auction Assets and for the Receiver to release the Second Distribution to the Secured Creditors.

All of which is respectfully submitted this 4th day of December 2020.

ERNST & YOUNG INC.

in its capacity as the Court-appointed
Receiver of the Respondents and not in its
personal or corporate capacity

By:

A handwritten signature in blue ink, appearing to be 'GK', with a horizontal line extending to the right.

George Kinsman CPA, CA, CIRP, LIT
Senior Vice President

APPENDIX A

IN THE COURT OF QUEEN'S BENCH OF NEW BRUNSWICK

IN BANKRUPTCY AND INSOLVENCY

JUDICIAL DISTRICT OF 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

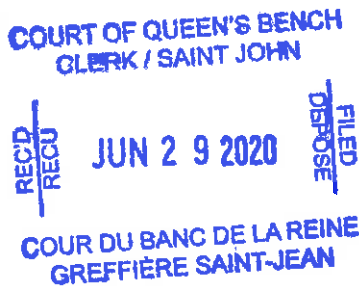
APPLICANTS,

- and -

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

RESPONDENTS

RECEIVERSHIP ORDER



THIS APPLICATION, made by the Applicants for an Order pursuant to Section 33 of the *Judicature Act*, R.S.N.B. 1973, Ch. J-2 (the "**Judicature Act**"), Rule 41 of the Rules of Court of New Brunswick (the "**Rules**") and Section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**") appointing Ernst & Young Inc. ("**EY**" or the "**Proposed Receiver**") as receiver and receiver manager (in such capacities, the "**Receiver**") without security, of all the Respondents' current and future assets, undertakings and properties and wherever situate including all proceeds thereof (the "**Property**") in relation to the business carried on by the Respondents except the assets set out in Schedule "A" collectively, (the "**Excluded Property**") attached hereto was heard this 26th day of June, 2020 at 10:00 a.m. in Saint John, New Brunswick.

ON READING the materials filed in this matter as contained in the Record on Application including the Report of the Proposed Receiver dated June 22, 2020 and the Supplemental Confidential Report of the Proposed Receiver dated June 22, 2020 and the appendices thereto, the various affidavits of service, on hearing the submissions of counsel for the Applicants, the Respondents and the parties set out in Schedule "B" attached hereto and on reading the consent of the Proposed Receiver to act as the Receiver;

IT IS ORDERED THAT:

SERVICE

1. The time for service of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPOINTMENT

2. Pursuant to section 33 of the *Judicature Act*, Rule 41 of the Rules and section 243(1) of the *BIA*, the Receiver is hereby appointed receiver and receiver manager, without security, of the Property.

RECEIVER'S POWERS

3. The Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:
- a. to take possession and control of the Property and any proceeds or receipts arising from the Property but, while the Receiver is in possession of any of the Property, the Receiver must preserve and protect it;
 - b. to change locks and security codes, relocate all or some of the Property to safeguard it, engage independent security personnel, take physical inventories and place insurance coverage;
 - c. to manage, operate, and carry on the business of the Respondents in relation to the Property, including the powers to enter into any agreements, incur and pay any obligations in the ordinary course of business, cease to carry on all or any part of the business, or cease to perform any contracts of the Respondents;
 - d. to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;
 - e. to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Respondents, or any part or parts thereof;
 - f. to receive and collect all monies and accounts now owed or hereafter owing to the Respondents in relation to the Property and to exercise all

remedies of the Respondents in collecting such monies, including, without limitation, to enforce any security held by the Respondents;

- g. to settle, extend or compromise any indebtedness owing to the Respondents in relation to the Property;
- h. to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Respondents, for any purpose pursuant to this Order;
- i. to undertake environmental or workers' health and safety assessments of the Property and operations of the Respondents;
- j. to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;
- k. to make payment of any and all costs, expenses and other amounts that the Receiver determines, in its sole discretion, are necessary or advisable to preserve, protect or maintain the Property, including, without limitation taxes, municipal taxes, insurance premiums, repair and maintenance costs, costs or charges related to security, management fees, and any costs and disbursements incurred by any manager appointed by the Receiver;
- l. to market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;
- m. to sell, convey, transfer, lease or assign the Property or any part or parts

thereof out of the ordinary course of business as may be provided in an Order of this Court or,

- i. without the approval of this Court in respect of any transaction not exceeding \$100,000.00, provided that the aggregate consideration for all such transactions does not exceed \$1,000,000.00; and
- ii. with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause;

and in each such case notice under section 59 of the *Personal Property Security Act* (New Brunswick) or pursuant to section 44 of the *Property Act* (New Brunswick) shall not be required.

- n. to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;
- o. to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;
- p. to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;
- q. to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Respondent;
- r. to enter into agreements with any trustee in bankruptcy appointed in respect of the Respondent including, without limiting the generality of

the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Respondent;

- s. to exercise any shareholder, partnership, joint venture or other rights which the Respondent may have; and
- t. to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations;

and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined below), including the Respondent, and without interference from any other Person.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

- 4. The Respondents, all of their current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on their instructions or behalf, and all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "**Persons**" and each being a "**Person**") shall forthwith advise the Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property to the Receiver upon the Receiver's request.
- 5. All Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Respondents in relation to the Property, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "**Records**") in that Person's possession or control, and shall, subject to their right to seek a variation of this order, provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the

Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 5 or in paragraph 6 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

6. If any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall, subject to their right to seek a variation of this Order, forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

NO PROCEEDINGS AGAINST THE RECEIVER

7. No proceeding or enforcement process in any court or tribunal (each, a "Proceeding"), shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

NO PROCEEDINGS AGAINST THE RESPONDENTS OR THE PROPERTY

8. No Proceeding against or in respect to the Property shall be commenced or continued and any and all Proceedings currently under way against or in

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respect of the Respondents or the Property are hereby stayed and suspended pending further Order of this Court except:

- a. with the written consent of the Receiver or with leave of this Court; and
- b. any action against any of the Excluded Property by any party having an interest in the Excluded Property including but not limited to VEL National Lease, Daimler Truck Financial (a business unit of Mercedes-Benz Financial Services Canada Corporation), CWB National Leasing Inc., Valley Equipment Limited, De Lage Landen Financial Services Canada Inc., Liebherr Canada Ltd., GE Canada Equipment Financing G.P and John Deere Financial Inc. as holders of purchase money security interests or parties to financing arrangements in respect of Excluded Property as well as the parties listed in Schedule "A" hereto as a party having an interest in and to Excluded Property ("**Excluded Property Enforcement**").

NO EXERCISE OF RIGHTS OR REMEDIES

9. All rights and remedies of any individual, firm, corporation, governmental body or agency or any other entity against, the Receiver, or affecting the Property, other than an Excluded Property Enforcement, are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that this stay and suspension does not apply in respect of any "eligible financial contract" as defined in the BIA, and further provided that nothing in this paragraph shall (i) empower the Receiver or the Respondents to carry on any business which the Respondents are not lawfully entitled to carry on, (ii) exempt the Receiver or the Respondents from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien and the related filing of an action to preserve

the right of a lien holder provided that the Respondents or the Receiver shall not be required to file a defence to same as the further prosecution of any such claim is stayed except with the written consent of the Receiver, or leave of this Court. All rights and remedies of any Person pursuant to any arrangement or agreement to which any of the Respondents are a party for the lease or other rental of personal property of any nature or kind forming part of the Property are hereby restrained except with consent of the Receiver in writing or leave of this Court. The Receiver is authorized to return any Property which is subject to a lease from a third party to such Person on such terms and conditions as the Receiver considers appropriate and upon the Receiver being satisfied as to the interest of such Person in the applicable Property.

PERSONAL PROPERTY LESSORS

10. All rights and remedies of any Person pursuant to any arrangement or agreement forming part of the Property, is a party for the lease or other rental of personal property of any nature or kind, are hereby restrained except with consent of the Receiver in writing or leave of this Court. The Receiver is authorized to return any Property which is subject to a lease from a third party to such Person on such terms and conditions as the Receiver, acting reasonably, considers appropriate and upon the Receiver being satisfied as to the interest of such Person in the applicable Property. The return of any item by the Receiver to a Person is without prejudice to the rights or claims of any other Person to the property returned or to an interest therein.

NO INTERFERENCE WITH THE RECEIVER

11. Subject to Section 15 of this Order related to the Respondents' employees, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, license or permit in favour of or held by the Respondents in relation to the Property, without written consent of the Receiver or leave of this Court.

CONTINUATION OF SERVICES

12. All Persons having oral or written agreements with any of the Respondents or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to any of the Respondents, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services in relation to the potato and grain farming, packing and seed business of the Respondents (the "**Business**") as may be required by the Receiver, and the Receiver shall be entitled to the continued use of the Respondents' current telephone numbers, facsimile numbers, internet addresses and domain names associated with the Business, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with normal payment practices of the Respondents respectively or such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.
13. The Receiver, in its sole discretion, may (but shall not be obligated to) establish accounts or payment on delivery arrangements with suppliers in its name on behalf of a Respondent for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Respondent, or any of them, if the Receiver determines that the opening of such accounts is appropriate. No creditor of the Respondents shall be under any obligation as a result this Order to advance or re-advance any monies or otherwise extend any credit to any of the Respondents.

RECEIVER TO HOLD FUNDS

14. All funds, monies, cheques, instruments, and other forms of payment received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Receiver (the "**Post Receivership Accounts**") and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Receiver to be paid in accordance with the terms of this Order or any further Order of this Court.

EMPLOYEES

15. All employees of the Respondents shall remain the employees of the Respondents until such time as the Receiver, on the Respondents' behalf, may terminate the employment of such employees who are employed in conjunction with the Business or they resign in accordance with their employment contracts. The Receiver shall not be liable as a result of this Order for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA, wages, severance pay, termination pay, vacation pay, and pension or benefit amounts, other than such amounts as the Receiver may specifically agree in writing to pay, or in respect of its obligations under sections 81.4(5), 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*, such amounts as may be determined in a Proceeding before a court or tribunal of competent jurisdiction.
16. Pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, the Receiver may disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or

required to negotiate and attempt to complete one or more sales of the Property (each, a "Sale") as permitted at law. Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. A prospective purchaser or bidder requesting the disclosure of personal information shall execute such documents to confirm the agreement of such Person to maintain the confidentiality of such information on terms acceptable to the Receiver. The purchaser of any Property shall be entitled to continue to use the personal information provided to it related to the Property purchased in a manner which is in all material respects identical to the permitted prior use of such information by the Respondents, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

LIMITATION ON ENVIRONMENTAL LIABILITIES

17. Nothing herein contained shall require or obligate the Receiver to occupy or to take control, care, charge, occupation, possession or management (separately and/or collectively, "Possession") of any of the Property or any part thereof, that may be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other legislation, statute, regulation or rule of law or equity respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, *Canadian Environmental Protection Act, 1999* (Canada), the *Clean Water Act* (New Brunswick), the *Clean Environment Act* (New Brunswick), the *Clean Air Act* (New Brunswick), and *Unsanitary Premises Act* (New Brunswick) (collectively, the "Environmental Legislation"), provided however that nothing herein shall exempt the Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation.

LIMITATION ON LIABILITY

18. EY including, without limitation, any director, officer or employee of the Receiver, shall incur no liability or obligation as a result of its appointment as the Receiver or the carrying out the provisions of this Order, or in the case of any party acting as a director, officer or employee of the Receiver so long as acting in such capacity, save and except for any gross negligence, breach of contract or actionable misconduct on the part of such party, or in respect of the Receiver's obligations under sections 81.4(5) and 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*. Nothing in this Order shall derogate from the protections afforded the Receiver by section 14.06 of the BIA or by any other applicable legislation.

RECEIVER'S ACCOUNTS

19. The Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, and the Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge to a maximum of \$100,000.00 (the "**Administrative Charge**") on the Property, as security for such fees and disbursements, both before and after the making of this Order in respect of these proceedings, and the Administrative Charge shall form a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subject to sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.
20. Unless otherwise ordered by the Court, the Receiver and its legal counsel shall pass their respective accounts from time to time and for this purpose the accounts of the Receiver and its legal counsel are hereby referred to a Judge of the Court of Queen's Bench in New Brunswick in accordance with the Rules.
21. Prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees, expenses and disbursements, including legal fees and

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disbursements, incurred at the normal rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved in accordance with the preceding paragraph hereof.

RECEIVER'S INDEMNITY CHARGE

22. The Receiver shall be entitled to and is hereby granted a charge (the "**Receiver's Indemnity Charge**") upon all of the Property as security for all of the obligations incurred by the Receiver including obligations arising from or incident to the performance of its duties and functions under this Order including the management, operation and carrying on of all or part of the business of any of the Respondents, the BIA or otherwise, saving only liability arising from negligence or actionable misconduct of the Receiver.
23. The Receiver's Indemnity Charge shall form a second charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subject to sections 14.06(7), 81.4(4), and 81.6(2) of the BIA and subordinate in priority to the Administrative Charge.

ALLOCATION OF COSTS

24. The Receiver shall file with the Court for its approval a report setting out the costs, fees, expenses and liability of the Receiver giving rise to the Administrative Charge, the Receiver's Indemnity Charge and the Receiver's ~~Borrowings Charge (as defined below)~~ and, unless the Court orders otherwise, all such costs, fees, expenses and liability shall be paid in the following manner:
 - a. Firstly, applying the costs incurred in the receivership proceedings specifically attributable to an individual asset or group of assets against the realizations from such asset or group of assets;
 - b. Secondly, applying the costs pro rata against all of the assets based on

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the net realization from such asset or group of assets; and

- c. Thirdly, applying non-specific costs incurred in the receivership proceedings *pro rata* against all of the assets based on the net realization from each asset or group of assets.

BANKRUPTCY

- 25. The Receiver is authorized to make an assignment in bankruptcy, in accordance with the *BIA* in the name of and on behalf of the Respondents.
- 26. Nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy to the Respondents.

INTERIM MANAGEMENT AGREEMENT

- 27. The Receiver is hereby empowered and authorized, but not obligated, to adopt any existing agreement between the Respondents and McCain Foods Limited ("MFL") related to the assets and operations of Hillspring Farms Ltd. (the "**Hillspring Management Property**") used in the Business (the "**Hillspring Management Agreement**") on such terms as the Receiver considers appropriate in order to carry out the terms of this Order for the purpose of ensuring the continued operation of the Business until the closing of the transaction approved by this Court in an order issued concurrently with this Order.
- 28. If the Receiver adopts the Hillspring Management Agreement, the Receiver shall:
 - a. not be in possession or control as contemplated by section 3 (a) of this Order of the Hillspring Management Property which shall remain under the management of MFL; and
 - b. not have any liability under the Hillspring Management Agreement of any nature or kind or to MFL.

GENERAL

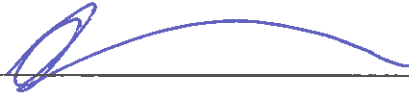
29. The Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.
30. The aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States is hereby requested to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Receiver in any foreign proceeding, or to assist the Receiver and its agents in carrying out the terms of this Order.
31. The Receiver is hereby authorized and empowered to apply to any court, tribunal, or regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Receiver is authorized and empowered to act in a representative capacity in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.
32. Any interested party may apply to this Court to vary or amend this Order upon such notice required under the *Rules of the Court*, if any, or on such notice as this Court may order.
33. Any Person affected by this Order which did not receive notice in advance of the hearing of the initial application may apply to this Court to vary or amend this Order within five (5) days of such Person being served with a copy of this Order.
34. In addition to the reports to be filed by the Receiver under the BIA or New Brunswick Business Corporations Act, on the application to the Court of any secured creditor, the Receiver shall file a report of its activities with the Court and the Receiver shall file a report on or before 30 days from the completion

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of the transaction with McCain Farms, a division of McCain Produce Inc., approved by Order of the Court concurrently with the issuance of this Order and a further report on or before December 15, 2020.

35. The Receiver shall not be discharged without notice to such secured creditors and other parties as the Court directs.

Dated at Saint John, New Brunswick, this 29th day of June, 2020 and effective as 12:01 a.m. on June 26, 2020.



The Honourable Justice Darrell J. Stephenson
Justice of the Court of Queen's Bench of New Brunswick

SCHEDULE "A"

EXCLUDED PROPERTY

Any real or personal property referenced in this Schedule "A" is Excluded Property and does not form a part of the Property subject to the within Receivership Order.

1. Bank Accounts

Any interest of any nature or kind in and to the following bank accounts:

- a. HSF Foods Inc.'s Bank of Montreal bank account bearing account number XXXX-XXXX-326.
- b. Bank of Nova Scotia bank account bearing account number XXXXX 15 (the "Purchaser Bank Account"), created on Hillspring's behalf following execution of the Management Agreement.

2. Management Assets

- c. Pursuant to the Purchaser's general authority under Section 4.1 of the Management Agreement, the Purchaser has purchased certain assets to be used in the business of the Companies. Such assets are Excluded Property for the purpose of any charge granted in these proceedings.
- d. Assets purchased for use in the Flakes Operation on or after March 31, 2020, being the effective date of the Management Agreement between OPC Canada, Inc. and HSF Foods Ltd., and all product and revenue produced by the Flakes Operation on or after that date.

3. Purchase Money Security Interests and Other Financings

All leases and financing agreements in equipment or other personal property ("**Leased Property**") under lease or a financing arrangement set out in Schedule 2.1(i)(a) – Assumed Contracts to the Sale Agreement, a copy of which is attached to the Report of the Proposed Receiver (collectively, a "**Lease Agreement**") with CNH Industrial Capital Canada Ltd., the Bank of Nova Scotia and Caterpillar Financial Services Limited are

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Excluded Property for the purpose of any charge granted in these proceedings.

Any residual, equitable or secured interest of any party other than CNH Industrial Capital Canada Ltd., the Bank of Nova Scotia and Caterpillar Financial Services Limited, as counterparties to the applicable Lease Agreement in and to Leased Property, is not Excluded Property and shall be extinguished on the completion of the Transaction (as described in the Receiver's report) in the within proceedings.

The following lease or financing agreements together with the underlying personal property subject to such leases or financing arrangements are Excluded Property:

- a. Lease Agreement dated September 30, 2019 between VEL National Lease and Hillspring Farms in respect of the lease of (i) two Trailers having serial numbers: 2L9R443A8L1035167 and 2L9R443AXL1035168 and (ii) four Utility Vans having serial numbers 1UYVS3536BM068501, 1UYVS3532CM306703, 1UYVS253X7M254401 and 1UYVS35309U599106;
- b. Lease Agreement dated August 30, 2019 between Daimler Truck Financial (a business unit of Mercedes-Benz Financial Services Canada Corporation) and Hillspring Farms Ltd. in respect of the lease of five trucks having serial numbers 5KJJABDR5LPKY5086, 5KJJABDR9LPKY9190, 5KJJABDR2LPKY9189, 5KJJABDR8LPKY9195 and 5KJJABDRXLPLX4605;
- c. Equipment lease dated October 17, 2019 between Hillspring Farms Ltd. and CWB National Leasing Inc. in respect of 70 Motorola XPR-5350E VHF Mobile Radios and 30 VHF Hi-gain Antenna Systems;
- d. Lease agreement dated June 11, 2019 between Hillspring Farms Ltd. and Valley Equipment Limited in respect of a 2018 Ram 2500 Longhorn Pickup Truck having serial number 3C6UR5GL3JG114826;
- e. Contract dated August 30, 2018 between the Bank of Nova Scotia, Hillspring Farms Ltd. and Jeremy in respect of a 2019 Ram 1500 Truck with serial number 1C6SRFLT4KN579336 with Scotiabank.
- f. Agreement between HSF Foods Ltd. and De Lage Landen Financial Services Canada Inc. in respect of certain TEK Office furniture as

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evidenced by Personal Property Act Security registration number 31214133;

- g. Agreement between Hillspring Farms Ltd. and De Lage Landen Financial Services Canada Inc. in respect of a 2014 Hyundai having serial number HHKHHT06CE0000225 evidenced Personal Property Act Security registration number 25264698;
- h. Lease dated May 2, 2019 between Hillspring Farms Ltd. and VEL National Lease in respect of a 2019 Ford F250 having serial number 1FT7W2BT2KEC71826;
- i. Contract between the Bank of Nova Scotia, Hillspring Farms Ltd. and Jeremy in respect of a 2018 Dodge Demon having serial number 2C3CDZH99JH103136;
- j. Contract between Hillspring Farms Ltd. and Liebherr Canada Ltd. in respect of a 2016 Liebherr L580 IND One Wheel Loader having serial number 0409431170;
- k. Contract between Hillspring Farms Ltd. and Liebherr Canada Ltd. in respect of a 2016 Liebherr L566 Wheeled Loader having serial number 0410001168;
- l. Contract between Hillspring Farms Ltd. and Liebherr Canada Ltd. in respect of a 2013 Liebherr L566 IND Wheeled Loader having serial number 0333011168;
- m. Contract between HSF Foods Ltd. and GE Canada Equipment Financing G.P. in respect of a 2006 30RXL Morbank Chiparvestor having serial number 2039;
- n. Contract between HSF Foods Ltd. and in respect of a John Deere 333EXT Compact Track Loader having serial number 1T0333EMVGE294274;
- o. Financing arrangement dated September 16, 2018 between HSF Foods Ltd. and the Bank of Nova Scotia in respect of a 2015 Dodge Ram Model 1500 having serial number 1C6RR7LM0FS737580; and
- p. Financing arrangement between HSF Foods Ltd. and the Bank of Nova Scotia in respect of a 2019 Ford F250 S/D having serial number

1FT7W2BTOKED32865 as evidenced by PPSA Registration number 31803596.

4. Other

The interest of Bank of Montreal, if any, in account(s) receivable from Kellogg Company, a Delaware corporation related to the registration under the PPSA having #: 30854186 and dated July 5, 2018 with an expiry of July 5, 2023.

5. CIBC Specific Assets

Any interest of any nature or kind in and to the following:

- a. the receivables of the Respondents, including Pre-Count Receivables, but excluding Inventory Receivables and Cash, as such terms are defined in the Sale Agreement.
- b. any interest of the Respondents in certain antique vehicles shown in the books and records of 631544 NB Ltd.; and
- c. wood inventory and other personal property of HSF in which CIBC has a security interest in priority to FCC and which are:
 - i. not personal property forming part of assets being sold as part of the Transaction (as described in the Receiver's report); and
 - ii. not personal property previously assigned to Oregon Potato Company.

6. OPC Flake Assets

The real and personal property listed below that OREGON POTATO COMPANY holds security in by virtue of certain assignments from:

- A. FCC - (Listed below)
- B. CIBC - (Listed below)

A. FCC

Real Property

- 1. PID 10284172, including all fixtures attached thereto - Office owned by HSF

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2. PID 10284206, including all fixtures attached thereto – Plant owned by HSF

Personal Property

<u>Line #2</u> Peeler# 24628...Idaho Steel 1. Kiremco Brusher 2. Large Even Flow 3. Slicer 4. Cornell Pump Tank 5. Dewatering Screen 6. Small Even Flow 7. Blancher Idaho Steel 8. Cooler 9. Vertical Auger 10. Dewatering Screen 11. Small Even Flow 12. Cooker 13. Ricer Auger 14. Mash Inline Auger 15. Mash Box 16. 3 Drums (1 of the 5x16 Idaho Steel drum & 2 of the Overton Drums, 5x16)	<u>Turbine Hall</u> 1. 2 of the Ewing Control Panels 2. 1 Turbine s/n T-5601 Back Pressure 3. 1 Condensing Turbine s/n T-5328 4. 1- Large Condenser s/n 93Y10679-01A 5. 2 Large Worthington Cooling Pumps s/n B0941002-2 & s/n B0941002-1 6. 2 Water Softener Systems 7. 2 Cooling Towers... s/n NC9232GM(149609-002-99) & s/n NC9232GM(14960609-001-99)
<u>Dryroom Equipment</u> 1. Cat Forklift s/n E285851605 2. Nissan Forklift s/n CT1B2-980997 3. Nissan Forklift s/n CWP02-960815 4. Zoom Boom s/n 0300116975 2007 Chiller, Carrier, 3400F2680 3400F26809 1998 Steam Peeler, Kiremco, 9555-97-2 PESL-1000	<u>Dryroom Equipment</u> 2007 Electronic Scale on stand, Champ Scale 2002/2003 Sewing Machine on stand, Newlong, LR113608 NP-7ALR113608 1990 Bag Line Conveyor, Doboy, KGL 856748 1990 Bagging Machine, Doboy, PT24SPE2.854982 2006 Manual Pallet Stacker/Wrapper, Highlight, Synergy III C390-010-0161

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1998 Brusher, Kiremco, 97-1076-AA 1998 Polisher/Washer, Kiremco, 9590-97 WAD-1030 2008 Vertical Elevator, Idaho Steel 1998 Large Evenflow, Idaho Steel 2008 Slicer with Wash tank, Idaho Steel 1998 Pump Tank, Cornell 1998 Blancher, Idaho Steel 1998 Cooler, Idaho Steel 2008 Pump to Cooler, Cornell 1998 Cooker with additives mixing drums Idaho Steel 2008 Transfer Auger, Idaho Steel 1998 2 large Drums, Idaho Steel 1998 3 small American Drum Company, Overton Machine Company 60SP 1998 6038/6686 Transfer Augers, Idaho Steel 2006 Product Blower, Delta 1998 Bag Hoses, Idaho Steel 2005 Wind Sifter, Idaho Steel 2005 Hammer Mill, Pulva, Size C Type FS 121 2005 Product Blower, DMN, PTD 80 50897 2005 Hopper Tanks, Idaho Steel 2007 Grinder, Idaho Steel 2008 Weigh System Prior to Silos, Omnitech 2005 50No. Bagging System, Schlosser, K0401002 2005 Weigher/Bagger, Greif-Velox, 830-SDD-4M- EM 10-040364-001 2005 Bag Sealer, Farbo Seigling Ltd., M685770 011-C01080213 2005 Crimper, Schlosser	2007/04 Dust Removal System UAS, SFC24-3 60060914 2007 2 X 2 Pressure Blowers NYB, P0925120 1708 Steel 2007 Dry Room Racking 5 lengths X 3 high 2007 Security System 4 cameras w/CD 2007 Pressure Washer, Landu, VLP8-3000F 155525 1997 Bunker "C" Boiler, Cleaver-Brooks, CB600-800 S-87629 1997 Standby Gen Set 350 KW/435 KVA, Onan, 350.0DFN-9XF/2963AC G86013-30496 1998 80 HP Air Compressor, Curtis, R/S50T sn No.6574 1998 Air Dryer, Airtek, SC220 SNNNo. 977592H 1969 Separator, Wesffalia, SDA360L 1635211 2008 Chemical Pump, Ecolab, P2 2-2008 Telescopic Conveyors, Rc0 28' X 24" & 60'X 36" 2007 Telescopic/Hydraulic Bin Piler, Rc0 2007 Hopper Happy Roller 2008 Elevator Conveyor, Rc0 2000 5,000 bbls Hopper, Smalleys 2008 Barrel Washer, Rc0 2008 Rocks/Destoner, Idaho Steel
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Other

Item Type	Manufacturer	Serial Number
SDB3BCS Scotch Dry Back – Steam B23M19B2 : B20	Cleaver Brooks	87620
Dearator	O'Connor Tank Ltd.	DG7854
Dearator	O'Connor Tank Ltd.	DG7854
DEA8AC Dearator	Cleaver Brooks	DG7854
DEA8AC Dearator	Cleaver Brooks	DG7854
BDT8AC Blow Down Tank over 42	O'Connor Tank Ltd.	7-1095
PVS8AI Pressure Vessel over 42	Harris Thermal	26127
EXC7AI Exchanger up to 42	SA Armstrong	449456
AWT2BIS A Type Water Tube-Steam	Keeler Dorr-Oliver	17210
AWT2BIS A Type Water Tube-Steam	Keeler Dorr-Oliver	17210
AWT2BIS A Type Water Tube-Steam	E Keeler Co. Ltd.	124271
AWT2BIS A Type Water Tube-Steam	E Keeler Co. Ltd.	124271
ATK6AI Air Tank Mounted	Steel Fab	510689
ARC7AI Air Receiver in System	Silvan Industries	142337
ARC7AI Air Receiver in System	Silvan Ind.	10222
ATK6AC Air Tank Mounted	Brunner Eng.	3244
Air Tank Mounted	Manchester	18903
PVS7AI Pressure Vessel up to 42	Flo Lab Inc.	APF-3357
ARC7AI Air Receiver In System	Lagrange Products	42050
ARC7AI Air Receiver In System	Steel Fab	SO-17724
ARC7AI Air Receiver In System	Manchester	302432.CRN
Pressure Vessel up to 42	Watson McDaniel	90805
PVS8AI Pressure Vessel Over 42	Beloit Corporation	F3178-1

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PVS8AI Pressure Vessel Over 42	Beloit Corporation	B7415-1
Pressure Vessel Over 42	Samyard Co. Ltd.	SYU-96
Pressure Vessel Over 42	Samyard Co. Ltd.	SYU-96
PVS8AI Pressure Vessel Over 42	GL&V	Nil
Pressure Vessel Over 42	Idho Steel	67
PVS8EI Pressure Vessel Over 42	Idaho Steel Products	24628
PVS8EI Pressure Vessel Over 42	Odenberg Inc.	96071
PVS8EI Pressure Vessel Over 42	CH Murphy/ Clark-Ullman	1926
AWT2BIS A Type Water Tube-Steam	Tampella Keeler	17389
AWT2BIS A Type Water Tube-Steam	Tampella Keeler	17389
CFH8AI Closed Feed Heater	Allied Steel Prod.	W6280
ATK7AP Pressure Vessel Over 42	Steel Fabrication	5492880
BDT7AP Blowdown Tank Up To 42	Cemline Co.	69703
BDT7AP Blowdown Tank Up To 42	Cemline Co.	69703
SDB3BIH Scotch Dry Back Hot-Water	Cleaver Brooks of Canada	S088095
SDB3BIH Scotch Dry Back Hot-Water	Cleaver Brooks of Canada	S088095
EXC7AI Exchanger Up to 42	ITT	987254-01
EXC7AI Exchanger Up to 42	ITT	987254-01
EXC8AI Exchanger Over 42	ITT	93Y10679-01A
PVS8AP Pressure Vessel Over 42	Colton Industries	979774
PVS8AP Pressure Vessel Over 42	Colton Industries	979777
PVS7AI Pressure Vessel Up to 42	StoysTown Tank & Steel Co19	58344
ATK6AP Air Tank Mounted	Buckeye Boiler Company	2848A
ATK6AI Air Tank Mounted	Steel Fab	569407
ATK6AI Air Tank Mounted	Steel Fab	569407

ASSETS - WOOD CHIP OPERATION			
Item No.	Item	Item Category	Serial Number
1.	INTENTIONALLY LEFT BLANK		
2.	2016 Leibherr 538 Loader c/w Craig High tip chip bucket	Equipment	VATZ1268EZB038941
3.	INTENTIONALLY LEFT BLANK		
4.	Radar hydraulic Bin Dumper	Equipment	
5.	02 Leibherr rubber tired excavator with pulp loader	Equipment	710-13531
6.	Wood chip processor including feed hopper, 6ft x 40ft feed conveyor, Shaker table with fine particle screener, Hog Hammer, drop feed rechipper, 30" x 50ft conveyor	Equipment	
ASSETS - FABRICATION SHOP			
Item No.	Item	Item Category	Serial Number
1	15K Free standing Crane with 2k electric motor chainfalls	Equipment	
2	Hangchett metal lathe / Sharpener	Equipment	
3	IPC High Temp baking oven	Equipment	
4	Industrial drill press	Equipment	
5	Industrial drill press (inoperable)	Equipment	
6	Industrial Plasma cutting table	Equipment	
7	Industrial upright grinder (dual)	Equipment	
8	Industrial drill press	Equipment	

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9	Industrial drill press (inoperable)	Equipment	
10	Industrial milling machine	Equipment	
11	Industrial metal lathe - 12ft bed	Equipment	
12	Industrial metal lathe - 10ft bed	Equipment	
13	ALLSTEEL 300 Ton metal press / brake with dies	Equipment	
14	Metal bender	Equipment	
15	Portable sandblaster	Equipment	
16	Pearson metal sheer	Equipment	
17	Metal roller	Equipment	
18	Metal roller	Equipment	
19	Portable plasma cutter	Equipment	
20	Lincoln Mig / Tig wire feed welder	Equipment	
21	12ft Roller table	Equipment	
22	Vertical metal bandsaw	Equipment	
23	Horizontal metal bandsaw	Equipment	
24	Easy Kleen high pressure washer	Equipment	
25	INTENTIONALLY LEFT BLANK		
26	Clark rough terrain forklift, 2 stage mast, 48" tines, 10k hours	Equipment	
27	INTENTIONALLY LEFT BLANK		
28	02 Ford F550 diesel 20ft box truck. Rear is outfitted with shelves and power supply	Equipment	1FDAF56F32EB35311
29	Air compressor 500 gal	Equipment	
30	Parts room - Assorted nuts, bolts, threaded rods, washers	Equipment	
31	wooden cabinets - complete with various tools	Equipment	
32	15 drawer tool cabinet full of tools	Equipment	

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33	3 section, 9 drawer parts cabinet completely full of tools, etc	Equipment	
34	Metal table complete with Taps, dies', broaches, etc	Equipment	
35	3 work tables c/w grinders, hose reels, drill bits, drill press, grinder wheel, and related tools	Equipment	
36	small roller table	Equipment	
37	Raw Material / Various racks full of steel	Equipment	
38	Table complete with various metal bits, drills, assorted tools to operate metal lathe	Equipment	
39	Qty of large electric motors (approx 6)	Equipment	
40	Transmission jack	Equipment	
41	large qty of chains, straps, clevises, binders, ratchets, etc	Equipment	
42	mobile parts cart	Equipment	
43	mobile parts cart	Equipment	
44	mobile parts cart	Equipment	
45	Parts washer	Equipment	
46	metal work table c/w vice	Equipment	
1.	D6 Bulldozer		
2.	1995 Freightliner Classic 120 TRUCK #3		2FUPDXYB4SA736196
3.	2001 Western Star 4964EX TRUCK #7		2WKEDD3J61K970748
4.	2012 Marac Chip Trailer 31453C330		2M5341613C1130241
5.	2000 Freightliner		1FUYDWEB1YLG61045
6.	2003 Freightliner Classic		1FUJAPAV23LK51604
7.	2006 Freightliner		1FUJF6CK66DV51031
8.	Easy Hauler (Utility)		2SPUF5B10FN052669
9.	1999 Freightliner		1FUYTEDBXXHA20699
10.	1974 Heil Trailer (Water)		926712

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11.	2013 Manac Chip Trailer	2M5341613D1135862
12.	2013 Manac Chip Trailer	2M5341615D1135863
13.	2012 BWS 27' end Dump Trailer	2B927DT23C1001460
14.	1982 Fruehauf Trailer	2H8B04635CR130901
15.	1987 Fruehauf Trailer	2H8B04831HR031805
16.	2016 Big Tex Trailer	16VGX2029G6039916
17.	One (1) Used 2002 Liebherr A904 Hydraulic Rubber Tired Log Loader complete with all attachments and accessories	710-13531
18.	CLARK 5000LB FORKLIFT	Y1015-338-4805

B. CIBC

Real Property

None.

Personal Property

The following related to the operation by HSF Foods Inc. of its potato flake manufacturing operation, to the extent all or any portion of such items are not located on any of the Real Property, as such term is defined in the Sale Agreement:

- a. Flakes inventory
- b. Packaging inventory
- c. Ingredient inventory
- d. Boiler chemical inventory
- e. Clean up chemicals inventory
- f. Fuel inventory

7. Excluded Real Property Leases

A. The following Real Property leases evidenced by the following written lease agreements:

1. Lease dated January 4, 2018 between Hillspring Farms Ltd. and Bonnefield Canadian Farmland Evergreen LP in respect of approximately 522 acres on parcel identifier numbers 35097997, 35098995, 35100858, 35103795, 35104314, 35110451, 35217116, 35305127, 35305135 and 35305523;

2. Lease dated May 13, 2016 between MWC Farms Ltd. and Bonnefield Canadian Farmland LP III, as renewed by a lease renewal and amending agreement dated March 3, 2017, as amended by a farmland lease amending agreement dated March 2019, and as assigned to Hillspring Farms Ltd. by an assignment and consent to assignment agreement dated August 2019 in respect of approximately 1,656.25 acres on parcel identifier numbers 65068728, 65069031, 65151003, 65068496, 65144701, 65036832, 65099046, 65036857, 65068876, 65135774, 65068900, 65223802, 65076663, 65135790, 65036576, 65098519, 65098527, 65036709, 65098717, 65149783 and 65099053;
3. Lease dated August 2019 between Hillspring Farms Ltd. and Bonnefield Canadian Farmland LP III in respect of approximately 1,142 acres on parcel identifier numbers 35101047, 35102169, 35103381, 35103944, 35317023, 35353085, 35217231, 35353093, 35357730, 35357847, 35357920, 35357920, 35214014;
4. Lease dated August 2019 between Hillspring Farms Ltd. and Bonnefield Canadian Farmland LP IV in respect of approximately 857 acres on PIDs 35302496, 35217272, 35296110, 35301167, 35360205, 35359835, 35360304, 35360247, 35187616, 35107119, 35107135, 35310994;
5. Farmland lease dated July 25, 2017, between Bonnefield Canadian Farmland Evergreen LP and MWC Farms Ltd.; Farmland Lease Amending Agreement dated March 2019 between Bonnefield Canadian Farmland Evergreen LP and MWC Farms Ltd.; and Assignment and Consent to Assignment Agreement dated August 2019 among Bonnefield Canadian Farmland Evergreen LP, MWC Farms Ltd., and Hillspring Farms Ltd. with respect to PIDs 65132912, 65068827, 65069049, 65176968, 65068736, 65074452, 65135766, 65068835, 65147100, 65074437; and
6. Lease and sublease agreement dated May 17, 2017 between Hillspring Farms Ltd., Andre Daigle Farms Inc. and River Valley Potatoes Inc. in respect of approximately 125 acres on parcel identifier numbers 35099076, 35311679, 35099274, 35099258, 35212901, 35212919, 35229392, 35229400.

B. The following Real property leases not evidenced by a written lease agreement:

1. Lease between Hillspring Farms Ltd. and H.J. Crabbe & Sons Ltd. in respect of parcel identifier numbers 10094241, 10162121 and 65039059;
2. Lease between Hillspring Farms Ltd., Kevin Ealey and Michael Campbell in respect of approximately 38 acres on parcel identifier numbers 10130920 and 10010643;
3. Lease between Hillspring Farms Ltd., David Crain and Wavel Crain on parcel identifier numbers 10092732, 10095198, 10091551 and 10091619;

4. Lease between Hillspring Farms Ltd. and Sullivan Farms (1992) Ltd. in respect of approximately 38 acres on parcel identifier number 10263507;
5. Lease between Hillspring Farms Ltd., Judith McIssac, Murray McIssac, Brent Pearson and Kim Pearson in respect of approximately 109.5 acres on parcel identifier numbers 10223535, 10030567 and 10007524;
6. Lease between Hillspring Farms Ltd. and East Glassville Holdings Ltd. in respect of approximately 181.87 acres on parcel identifier numbers 10265312, 10000107, 10232213, 10002863 and 10000115;
7. Lease between Hillspring Farms Ltd., 691221 NB Inc., Anthony Albert and Virginia Albert in respect of approximately 28 acres on parcel identifier numbers 65058034 and 65056145;
8. Lease between Hillspring Farms Ltd., 691221 NB Inc., Andy Miller, Sarah Miller, Harold Turner, John Turner, Donna Lee Turner, Carlene Flowers and Robert Flowers in respect of approximately 201 acres on parcel identifier numbers 65054611, 65054637, 65057697, 65117848, 65052995, 65056624, 65054645, 65117814, 65117806, 65117822 and 65055147;
9. Lease between Hillspring Farms Ltd., Roy Swazey, Edna Scott and Robert Scott in respect of approximately 59.6 acres on parcel identifier numbers 65084543, 65116907 and 65084527;
10. Lease between Hillspring Farms Ltd. and Four Falls Holdings Inc. in respect of approximately 17.5 acres on parcel identifier numbers 65084386 and 65201311;
11. Lease between Hillspring Farms Ltd. and Frank Browne Farms Inc. in respect of approximately 52.1 acres on parcel identifier numbers 65084428 and 65084824;
12. Lease between Hillspring Farms Ltd., Carolyn Van Gaal and Joseph Van Gaal in respect of approximately 21 acres on parcel identifier number 65089880;
13. Lease between Hillspring Farms Ltd. and Hanscome Farms Ltd. in respect of approximately 396.4 acres on parcel identifier numbers 65179699, 65085045, 65084998, 65085003, 65087397, 65089187, 65115438, 65085078, 65089161, 65089401, 65087561 and 65115313;
14. Lease between Hillspring Farms Ltd. and 691221 NB Inc. in respect of approximately 29 acres on parcel identifier numbers 65057887 and 65052904;
15. Lease between Hillspring Farms Ltd., Greta Butler, Cindy Clark, Donald Giberson, Rodney Brayall and Jonathan Walker in respect of approximately 32 acres on parcel identifier numbers 65084808, 65173114 and 65217176;

16. Lease between Hillspring Farms Ltd. and Island Holdings Ltd. in respect of approximately 53.44 acres on parcel identifier numbers 35273390 and 35273416;
17. Lease between Hillspring Farms Ltd. and Grand Falls Milling Co., Limited in respect of parcel identifier number 35357946;
18. Lease between Hillspring Farms Ltd. and KG Properties Ltd. in respect of approximately 20 acres on parcel identifier numbers 65132938 and 65132904;
19. Lease between Hillspring Farms Ltd. and H E Forestry Ltd. in respect of approximately 8.5 acres on parcel identifier number 65076762;
20. Lease between Hillspring Farms Ltd. and Donald Adams in respect of approximately 32.5 acres on parcel identifier number 65069072;
21. Lease between Hillspring Farms Ltd. and Sharon Dixon in respect of approximately 104 acres on parcel identifier numbers 65069015 and 65132854;
22. Lease between Hillspring Farms Ltd. and Andrew Parker in respect of approximately 46 acres on parcel identifier number 65036782;
23. Lease between Hillspring Farms Ltd. and Gestion Paul Levesque Ltee in respect of parcel identifier numbers 35099407 and 35102326;
24. Lease between Hillspring Farms Ltd. and Lucien Marquis in respect of parcel identifier number 35100197;
25. Lease between Hillspring Farms Ltd. and Marcel Lebonte in respect of approximately 7.6 acres on parcel identifier number 35317080;
26. Lease between Hillspring Farms Ltd., Richard Labonte and Yvette Labonte in respect of approximately 67.9 acres on parcel identifier numbers 35100445, 35100007, 35213131, 35212885 and 35100015;
27. Lease between Hillspring and McLaughlin Soil Management Facility Ltd. in respect of approximately 35.7 acres on parcel identifier number 65088502;
28. Lease between Hillspring Farms Ltd., Donna McNeill and Eldon McNeill in respect of approximately 12 acres on parcel identifier number 65088601;
29. Lease between Hillspring Farms Ltd. and Urban O'Connor in respect of approximately 23 acres on parcel identifier number 65054793; and
30. The real property leases shall also include, but are not limited to, all rolling one-year leases for land.

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SCHEDULE "B"

APPEARANCES

	Party	Attendance
1.	Farm Credit Canada	COUNSEL - Josh McElman, Bailey Campbell, and Caleb Hunter, Cox & Palmer - Attending in person Individual - Jason Inman Attending by Phone
2.	Canadian Imperial Bank of Commerce	COUNSEL - Maurice Chiasson, Q.C., Stewart McKelvey Individual - Supriya Sarin, CIBC Both Attending by Telephone.
3.	McCain Foods Limited	COUNSEL - Natasha MacParland, Davies Ward Phillips & Vineberg LLP Attending by Telephone.
4.	McCain Produce Inc.	Individuals - Nia Karabatsos and Chad Hutchison 895 Attending by Telephone.
5.	Ernst & Young Inc.	George Kinsman, Ernst & Young Inc. Attending by Telephone.
6.	Hillspring Farms Ltd. HSF Foods Ltd. Hillspring Warehouse & Logistics Inc.	COUNSEL - Stephen Kingston, McInnes Cooper Roman Veil 895 Attending by Telephone.
7.	Bank of Nova Scotia	Individuals - Faryall Butt & Cymanthia Elliott, Bank of Nova Scotia 875 Cymanthia Attending by Telephone.
8.	Business Development Bank of Canada	COUNSEL - Marc Dunning, Wickwire Holm Attending by Telephone.
9.	Earth Fresh Foods Inc.	Individual Brad Wiseman

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	Party	Attendance
		Attending by Telephone
10.	Timothy Cook Construction Ltd.	Individual Elizabeth Rockwell Attending by Telephone.
11.	CNH Industrial Capital Canada Ltd.	COUNSEL - Hugh J. Cameron, Stewart McKelvey Attending by Telephone.
12.	PricewaterhouseCoopers Inc.	David A. Boyd, PricewaterhouseCoopers Inc. Attending by Telephone.
13.	Office of the Attorney General for New Brunswick	COUNSEL – Bryan Mills Attending by Telephone.
14.	Employment Standards Branch	COUNSEL – Bryan Mills Attending by Telephone.
15.	Valley Equipment Ltd.	Individual Lee Patterson Attending by Telephone.
16.	Department of Finance Revenue and Taxation Division	<i>Mark Dunbar 895</i>
17.	Department of Justice Canada Tax Law Services for Canada Revenue Agency Insolvency Division	COUNSEL –Deanna M. Frappier, Q.C. Attending by Telephone.

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APPENDIX B

Receiver's Equipment Certificate

Court File No.: SJM-46-2020

IN THE COURT OF QUEEN'S BENCH OF NEW BRUNSWICK

IN BANKRUPTCY AND INSOLVENCY

JUDICIAL DISTRICT OF SAINT JOHN

IN THE MATTER OF THE RECEIVERSHIP OF:

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

COURT OF QUEEN'S BENCH
CLERK / SAINT JOHN

-and-

REC'D
REC'D

NOV 23 2020

FILED
DEPOSE

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

COUR DU BANC DE LA REINE
GREFFIERE / SAINT-JEAN

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.

CERTIFICATE

RECITALS

A. Pursuant to an Order of the Honourable Darrell J. Stephenson of the New Brunswick Court of Queen's Bench (the "Court") dated June 26, 2020, Ernst & Young Inc. was appointed as the Receiver and Receiver Manager (the "Receiver") of all of the undertaking, property and assets of Hillspring Farms Ltd., HSF Foods Ltd., Hillspring Warehouse & Logistics Inc. (collectively, the "Debtor") save and except certain excluded Property.

B. Pursuant to an Order of the Court dated June 26, 2020, the Court approved the agreement of purchase and sale made as of June 11, 2020 (the "Sale Agreement") between the Debtor, McCain Farms, a division of McCain Produce Inc. (the "Purchaser") and the other signatories to such agreement listed as related parties thereto, and provided for the vesting in the Purchaser of all of the Debtor's right, title and interest in and to all or any portion of the Farming Equipment identified by the Purchaser, which vesting is to be effective with respect to the Farming Equipment identified in the Farming Equipment Option upon the delivery by the Receiver to the Purchaser of a certificate confirming that the Purchaser has exercised the Farming Equipment Option pursuant to the Farming Equipment Lease.

C. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the Sale Agreement.

THE RECEIVER CERTIFIES the following:

1. The Purchaser has exercised the Farming Equipment Option pursuant to the Farming Equipment Lease in and to the Farming Equipment listed in Schedule "A" hereto.

This Certificate was delivered by the Receiver at Halifax 4:32pm [TIME] on October 19, 2020.

ERNST & YOUNG INC., in its capacity as Receiver of the undertaking, property and assets of the Debtor, and not in its personal capacity

Per:



Name: **George C Kinsman**

Title: Partner

APPENDIX C

**IN THE MATTER OF THE RECEIVERSHIPS FOR
HSF FOODS LTD., HILLSPRING FARMS LTD., AND HILLSPRING WAREHOUSE & LOGISTICS INC.
INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD 26 JUNE 2020 TO 19 NOVEMBER 2020**

RECEIPTS

Sale of Assets - Primary McCain Transaction	67,235,671.26
Equipment Sales	927,000.00
Equipment Auction Proceeds	439,650.00
Sale of Real Property (Graham Street)	320,000.00
HST Collected	752,433.30
Sale of Real Property	88,000.00
Farming Equipment Lease	102,535.00
Sale of Farming Equipment - McCain	3,820,847.97
Sale of Vehicles	104,500.00
Interest Allocation	20,044.99
Cost Recovery (McCain)	13,453.50
Miscellaneous	10,900.00
TOTAL RECEIPTS	\$ 73,835,036.02

DISBURSEMENTS

Interim Distribution - FCC	52,095,962.00
Interim Distribution - CIBC	12,916,873.00
Legal Fees	164,662.48
Receiver's Fees and Costs	150,603.84
HST Remitted	126,833.48
Appraisal Fees	66,424.00
HST Paid (ITC)	62,005.20
Allocation Unencumbered Property (Hillspring Farms Bankruptcy)	31,513.00
Commission	26,617.50
Property Tax	21,808.57
Real Estate Commission	18,768.00
Transport Costs	19,230.00
Insurance	16,626.00
Repair, Maintenance and Utilities	16,056.14
Secured Lender Advance (Bankruptcy Funding HSF Foods)	10,000.00
Secured Lender Advance (Bankruptcy Funding Hillspring Warehouse)	10,000.00
Advertising Cost	3,443.58
Municipal Taxes	370.51
Bank Charges	218.25
Filing Fee (Official Receiver)	70.00
TOTAL DISBURSEMENTS	\$ 65,758,085.55

\$ 8,076,950.47

APPENDIX D



AGREEMENT OF PURCHASE AND SALE

Approved by The New Brunswick Real Estate Association for use by members under
An Act to Incorporate The New Brunswick Real Estate Association



The attached schedule, if applicable, forms part of this contract:

☐ Vacant Land ☐ Mini/Mobile Home ☐ Condominium ☐ Multi-Use Residential Income Properties

The Buyer Antrim Developments Inc.

offers to buy from the Seller Ernst & Young Inc., in its capacity as Receiver of HSF Foods Ltd. through

Re/Max Hartford Realty

Seller's Agent (Company)

and

Re/Max Hartford Realty

Buyer's Agent (Company)

the Property designated as civic address: 147 Heller Street Woodstock NB

having PID(s): 10264810 PAN #: 05786075 (the "Property")

at a purchase price of FOUR HUNDRED TWENTY FIVE THOUSAND Dollars

(\$ 425,000.00) on the following terms and conditions:

1. HST

The parties agree that if this transaction is subject to HST, any such HST applicable to the transaction ☐ IS or ☒ IS NOT included in the purchase price.

[Signature]
Buyer's Initials

[Signature]
11/18/20
12:40 PM AST
dotloop verified
Buyer's Initials

2. CLOSING DATE

This Agreement shall be completed on or before the 16 day of December, 2020 (hereinafter called the "Closing Date"). Vacant possession of the Property shall be given to the Buyer, unless otherwise specified. The Seller shall ensure that the Property is available for the pre-closing inspection by 5:00 p.m. on or before the 15th day of December, 2020.

3. SALE OF BUYER'S PROPERTY

- (a) This offer ☐ IS or ☐ IS NOT subject to the sale of the Buyer's Property located at N/A on or before the _____ day of _____, 20____.
- (b) It is agreed and understood that the Seller may continue to offer the Seller's property for sale. If another offer, acceptable to the Seller, is obtained, the Seller or Seller's Agent shall notify the Buyer or Buyer's Agent. This notice shall be communicated without delay and followed up by written notice to the Buyer or Buyer's Agent. The Buyer will be allowed _____ hours, Sundays and holidays included, from the time of the written notice to remove all conditions related to the sale of the Buyer's property, failing which this agreement becomes null and void. Neither the Seller nor the Seller's Agent will be liable for any cost or damages incurred by the Buyer.
- (c) The Buyer ☐ IS or ☐ IS NOT required to meet or exceed (in the opinion of the Seller), the terms and conditions of any new offer acceptable to the Seller.
- (d) It is agreed and understood that at any time before the Seller or Seller's Agent gives notice to the Buyer or Buyer's Agent regarding another acceptable offer, the Buyer may waive this condition however, this condition must be waived _____ days before the Closing Date, failing which this Agreement becomes null and void.

Acknowledgement of completion of Page 1 - Buyer's Initials

[Signature]

Seller's Initials

[Signature]
11/18/20
12:40 PM AST
dotloop verified

Page 1 of 6

Form 300

Revised: June 2018

Property designated as civic address: 147 Heller Street Woodstock NB

4. DEPOSIT

(a) Deposit(s) will be payable to the Listing Agent, to be held in trust, pending completion or other termination of this Agreement. The deposit(s) shall be credited towards the purchase price on completion, and the Buyer shall pay the balance of the purchase price on closing or as otherwise stated in this Agreement.

(b) The Buyer submits with this offer Ten Thousand Dollars
(\$ 10,000.00) ☐ CASH / ☐ CHEQUE / ☐ OTHER: _____

(c) The Buyer agrees to increase deposit to \$ _____ (or _____ % of purchase price) ☐ CASH / ☐ CHEQUE / ☐ OTHER: _____
_____ on or before _____ day of _____, 20____ or within _____ days of receipt of waiver of clause #3.

5. FINANCING

This Agreement is subject to the Buyer or the Buyer's agent delivering written proof of financing to the Seller or the Seller's Agent, in the amount of approximately \$ N/A (or _____ % of purchase price) on or before the _____ day of _____, 20____, failing which this agreement becomes null and void. If Financing is subject to Sale of Buyer's Property, a final approval of financing will be provided to the Seller or Seller's Agent within _____ days of receipt of waiver of clause #3.

6. INSPECTION

The Buyer ☐ DOES or ☒ DOES NOT require an inspection of the Property. The Buyer is urged to carefully inspect the Property and may, if desired, have the Property inspected at the Buyer's expense. If the results of the inspection are not satisfactory to the Buyer, the Buyer may terminate this Agreement by delivering written notice to the Seller or the Seller's Agent by the _____ day of _____, 20____ or within _____ days of receipt of waiver of clause #3, upon which this Agreement becomes null and void.

7. INSURANCE

This offer ☐ IS or ☒ IS NOT conditional on the Buyer obtaining insurance for the Property satisfactory to the Buyer, effective on the closing date. The Buyer must deliver written notice, to the Seller or Seller's Agent by the _____ day of _____, 20____ or within _____ days of receipt of waiver of clause #3, failing which this agreement becomes null and void. The Seller agrees to co-operate in providing access to the Property as required for the fulfillment of this condition.

8. WATER TEST

The Buyer, at the Buyer's expense, ☐ DOES or ☒ DOES NOT require the water supply to be tested for:

☐ potability (E.coli / Coliform) ☐ any additional criteria (chemical / mineral): _____

If the results of such testing fail to meet the *Guidelines for Canadian Drinking Water Quality* or any additional criteria as specified, the Buyer may terminate this Agreement by delivering written notice to the Seller or Seller's Agent by the _____ day of _____, 20____ or within _____ days of receipt of waiver of clause #3, upon which this Agreement becomes null and void.

9. ENVIRONMENT

The Buyer ☐ DOES or ☒ DOES NOT require an environmental assessment at the Buyer's expense. The Seller acknowledges that the Seller's Agent has advised the Seller to disclose any known or suspected environmental concerns with respect to the Property. If the results of the assessment are not satisfactory to the Buyer, the Buyer may terminate this Agreement by delivering written notice to the Seller or Seller's Agent by the _____ day of _____, 20____ or within _____ days of receipt of waiver of clause #3, upon which this Agreement becomes null and void.

10. RESIDENTIAL PROPERTY DISCLOSURE STATEMENT

The Seller ☐ WILL or ☒ WILL NOT provide a current Residential Property Disclosure Statement to the Buyer on or before the _____ day of _____, 20____. If the information contained in the Residential Property Disclosure Statement is not satisfactory to the Buyer, the Buyer may terminate this Agreement by delivering written notice to the Seller or Seller's Agent by the _____ day of _____, 20____ upon which this Agreement becomes null and void.

Acknowledgement of completion of Page 2 - Buyer's Initials



Seller's Initials


11/18/20
12:40 PM AST
dotloop verified

Page 2 of 6

▲ July/2018

Property designated as civic address: 147 Heller Street Woodstock NB**11. ADDITIONAL TERMS AND CONDITIONS**

This Agreement is further subject to the following terms and conditions:

- The purchaser acknowledges that the property is being sold "as is, where is" as viewed on November 16, 2020 at 10:20AM.

- This is a Cash Offer.

- This Offer is conditional pending the Vendor, Ernst & Young Inc., obtaining formal Court Approval for the sale in its capacity as Receiver for HSF Foods Ltd.

 Buyer's Initials
 Seller's Initials
 11/18/20 12:40 PM AST
 dotloop verified

12. ADJUSTMENTS

Property taxes, rentals, leases, municipal charges, fuel/heating items on the premises and assessments are to be adjusted to the Closing Date. The cost of municipal improvements, betterment charges, and capital charges for utility or municipal services completed as of the date of this Agreement, whether billed or not, are to be paid by the Seller on or before the Closing Date unless otherwise stated.

13. RISK

The Property being purchased shall be and remain at the risk of the Seller, pending completion of the sale. The Seller shall hold all insurance policies and the proceeds thereof, in trust for the parties as their interests may appear. In the event of damage, the Buyer may, at the Buyer's option, agree to complete the purchase with the proceeds of the Seller's unit policy. Alternatively, the Buyer may, at the Buyer's option, declare this Agreement null and void.

14. FIXTURES / CHATELS / LEASED EQUIPMENT

(a) All existing **fixtures** on the property, which may include but are not limited to: flooring and floor coverings, drapery tracks, ceiling fans and light fixtures, built-in appliances, bathroom mirror(s), heating-ventilating-air conditioning equipment, garage door opener(s), central vacuum, and all applicable accessories/remote(s) and all other items secured by means of nails, screws, plumbing, wiring, ducting and related accessories are to be included in the purchase price except items which are leased or rented including those specifically listed herein in this Agreement, with the following exceptions:

(b) The following **chattels** owned by the Seller and presently located at the Property shall remain with the Property, to be included in the purchase price, and shall be conveyed to the Buyer in good working order, free and clear of encumbrances, on the date of closing:

(c) The Seller agrees to inform the Buyer of any **leased equipment**. In the case of leased equipment, the Buyer may be required to purchase the product from the lessor or assume the existing lease. Current leased equipment is (include lessor name below):

- ☐ Hot Water Tank: _____ ☐ Furnace / Heating System: _____
- ☐ Propane Tank: _____ ☐ Security System: _____
- ☐ Other: _____

15. SURVEY

The cost of a New Brunswick Land Surveyor's Real Property Report shall be the responsibility of the Buyer. Notwithstanding the foregoing, the Seller is to supply to the Buyer or Buyer's Agent any New Brunswick Land Surveyor's Real Property Report / Subdivision Plan / Survey Plan that may be in the Seller's possession, without warranty.

Acknowledgement of completion of Page 3 - Buyer's Initials



Seller's Initials


 11/18/20
 12:40 PM AST
 dotloop verified

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▲ Julv/2018

Property designated as civic address: 147 Heller Street Woodstock NB

16. TITLE SEARCH

The Buyer may examine the title of the Property at the Buyer's expense and any valid objection to title which the Buyer wishes to make shall be made in writing to the Seller on or before the day of closing. In the event a valid objection to title is made that the Seller is unable or unwilling to remove prior to closing, and which the Buyer does not waive, this Agreement becomes null and void.

17. CONVEYANCE

The conveyance of the Property shall be by Transfer, Deed, or Bill of Sale drawn at the expense of the Seller, to be delivered on payment of the purchase price on the Closing Date. The Property is to be conveyed free from encumbrances, except utility easements that do not materially affect the enjoyment of the Property, registered restrictions, or covenants that affect the Property.

18. ADDITIONAL DOCUMENTS

The attached additional documents, if applicable, form part of this contract:

- ☐ Covenants ☐ Builder's Specifications ☐ Municipal Drainage Plans
☐ Floor Plans ☐ House Plans ☐ Schedule: _____
☐ Other: _____ ☐ Other: _____

19. GENERAL

- (a) Any tender of documents to be delivered or money payable may be made by the Seller, Seller's Agent or Lawyer or the Buyer, Buyer's Agent or Lawyer or any other party acting on their behalf. Money paid, subsequent to the deposit, shall be by Solicitor's trust cheque, certified cheque, or the equivalent, drawn on a chartered Canadian Bank, Trust Company or Credit Union.
- (b) The Buyer shall have the right, upon providing the Seller with reasonable notice, to conduct a pre-closing inspection of the Property to ensure that the Property is in the same state of repair and condition as viewed on the date of this Agreement. If the Property is not in the same state of repair and condition and the Seller is unable or unwilling to make the necessary repairs, then this Agreement may become null and void at the buyer's discretion.
- (c) All warranties and representations contained in this Agreement shall survive the closing unless otherwise stated in this Agreement.
- (d) In all aspects of this Agreement, time shall be of the essence. In the event of a written agreement of extension, time shall continue to be of the essence. This Agreement shall be to the benefit of and be binding upon the parties, their respective heirs, executors, administrators, successors and assigns.
- (e) This Agreement is to be read with all changes of gender or number as the context requires. This Agreement shall constitute the entire Agreement between the parties and shall be governed by the laws of the Province of New Brunswick.
- (f) The Seller and the Buyer agree to be bound by offers and counter offers and related documentation and/or communication that may be transmitted electronically and that reproductions of the signatures therein will be treated as originals.
- (g) The Buyer and Seller have the right to seek legal counsel with respect to this Agreement.
- (h) If the Buyer defaults in the completion of the sale under the terms of this Agreement, any money paid hereunder shall be forfeited to the Seller without interest or penalty by way of liquidated damages, or the Seller may, at the Seller's option, compel the Buyer to complete the sale.
- (i) If this Agreement becomes null and void under the terms of this Agreement, all deposits paid shall be returned to the Buyer in full. By signing this Agreement, the Buyer and Seller consent and irrevocably instruct the Seller's Agent to release all deposits to the Buyer without interest or penalty.
- (j) In the event that 19(i) is applicable, the Buyer and Seller both agree to release and forever discharge each other, the Seller's Agent and the Buyer's Agent from any claims that either party has or may have arising from the deposit.
- (k) Once received and accepted, all Schedules and additional documents attached shall form part of this Agreement of Purchase and Sale and shall be deemed acceptable to the Buyer and Seller.
- (l) The Seller warrants that the Property ☐ IS or ☒ IS NOT registered under the Farm Land Identification Program (FLIP).

20. AGENCY RELATIONSHIP

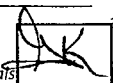
The Seller and the Buyer acknowledge having received, read and understood the "WORKING WITH A REALTOR®" form, as published by The New Brunswick Real Estate Association and acknowledge and confirm as follows:

- (a) The Seller ☐ DOES or ☐ DOES NOT have an Agency relationship with:

NAME OF AGENT (company) as represented by NAME OF REALTOR® (please print)

NAME OF AGENT (company) as represented by NAME OF REALTOR® (please print)

Acknowledgement of completion of Page 4 - Buyer's Initials



/ Seller's Initials


11/18/20
12:40 PM AST
dotloop verified

Page 4 of 6

▲ Jul/2018

Property designated as civic address: 147 Heller Street Woodstock NB

(b) The Buyer ☐ DOES or ☐ DOES NOT have an Agency relationship with:

NAME OF AGENT (company) as represented by _____
NAME OF REALTOR® (please print)

(c) The Buyer and the Seller acknowledge that by signing this Agreement they have consented to a Dual Agency relationship with:

Re/Max Hartford Realty as represented by Brian Hayden
NAME OF AGENT (company) NAME OF REALTOR® (please print)

NAME OF REALTOR® (please print)

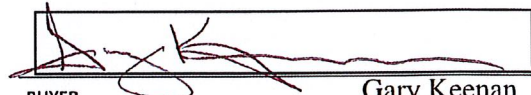
21. TIME FOR ACCEPTANCE

This offer shall be open for acceptance until 5:00 p.m. on the 17th day of Nov, 2020.
Notification of the acceptance of this offer shall be communicated by the Seller's Agent to the Buyer's Agent prior to the designated time and date or this Agreement becomes null and void.

Dated at _____, this _____ day of _____, 20____.

Signed and delivered in the presence of:

WITNESS


BUYER Gary Keenan

WITNESS

BUYER

22. ACCEPTANCE

I hereby confirm this offer was presented and accepted at _____ on the _____ day of _____, 20____.

Signed and delivered in the presence of:

WITNESS

SELLER

Ernst & Young Inc.

WITNESS

SELLER

for HSF Foods Ltd.

23. REJECTION

I hereby confirm this offer was presented and rejected at _____ on the _____ day of _____, 20____.

Signed and delivered in the presence of:

WITNESS

SELLER

Ernst & Young Inc.

WITNESS

SELLER

for HSF Foods Ltd.

Acknowledgement of completion of Page 5 - Buyer's Initials



Seller's Initials


11/18/20
12:40 PM AST
dotloop verified

Page 5 of 6

Property designated as civic address: 147 Heller Street Woodstock NB

24. COUNTER OFFER

(a) I confirm having read and understood this Agreement and have ☐ MODIFIED THE PRICE TO or ☒ ACCEPTED THE PRICE OF:
FOUR HUNDRED TWENTY FIVE THOUSAND Dollars (\$ 425,000.00)

along with the following amendments:

closing date to be within 14 days of the Receiver obtaining court approval for the sale

This counter offer shall be open for acceptance until 10:00pm on the 18th day of November, 2020.
Notification of the acceptance of this counter offer shall be communicated by the Buyer's Agent to the Seller's Agent prior to the designated time and date or this Agreement becomes null and void.

Dated at _____, this _____ day of _____, 20____.

Signed and delivered in the presence of

WITNESS

George C. Kinsman
dotloop verified
11/18/20 12:40 PM AST
5FKU-6UYA-BPOC-DGCV
Ernst & Young Inc.

SELLER

WITNESS

SELLER

for HSF Foods Ltd.

(b) The Buyer hereby agrees to the above price of \$ 425,000 ^{xx}/_{xx} and all other amendments contained in this counter offer.

Dated at Woodstock, this 18th day of November, 2020

Signed and delivered in the presence of

Wendy Haydon
WITNESS

Gary Keenan
BUYER

Gary Keenan

WITNESS

BUYER

Seller's Solicitor: _____

Phone: _____

Fax: _____

Buyer's Solicitor: _____

Phone: _____

Fax: _____

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Acknowledgement of completion of Page 6 - Buyer's Initials AK / Seller's Initials GK

11/18/20
12:40 PM AST
dotloop verified

APPENDIX E

Form 47
Formule 47

CERTIFICATE OF REGISTERED OWNERSHIP
CERTIFICAT DE PROPRIÉTÉ ENREGISTRÉE

Land Titles Act, S.N.B. 1981, c. L-1.1, s.63
Loi sur l'enregistrement foncier, L.N.-B. de 1981, chap. L-11, art. 63

Parcel Identifier | Numéro d'identification de parcelle :

10264810

Owner | Propriétaire :

HSF Foods Ltd. 741 Central ST Centreville NB E7K 2M4 Deed/Transfer Acte de transfert/Transfert Carleton	2014-06-05	-	33837841
--	------------	---	----------

Manner of Tenure | Mode de tenure :

Not Applicable | Sans objet

Encumbrances | Charges :

Aliant Telecom Inc. 1 Brunswick SQ PO BOX 1430 Saint John NB E2L 4K2 Easement Holder Titulaire de la servitude Retracement & Plan or Return of Survey Retraceré et plan ou document d'arpentage Carleton	1986-01-30	-	156239A
New Brunswick Power Corporation 515 King ST PO BOX 2000 Fredericton NB E3B 4X1 Easement Holder Titulaire de la servitude Retracement & Plan or Return of Survey Retraceré et plan ou document d'arpentage Carleton	1986-01-30	-	156239A
Town of Woodstock 824 Main ST Woodstock NB E7M 2E8 Easement Holder Titulaire de la servitude Retracement & Plan or Return of Survey Retraceré et plan ou document d'arpentage Carleton	1986-01-30	-	156239A

Aliant Telecom Inc.
1 Brunswick SQ
PO BOX 1430
Saint John NB
E2L 4K2
Easement Holder | Titulaire de la servitude
Agreement | Convention
Carleton 1992-07-15 543 - 321 177178

New Brunswick Power Corporation
515 King ST
PO BOX 2000
Fredericton NB
E3B 4X1
Easement Holder | Titulaire de la servitude
Agreement | Convention
Carleton 1992-07-15 543 - 321 177178

Farm Credit Canada
1133 St. George BLVD SUITE 200
Moncton NB
E1E 4E1
Mortgagee | Créancier hypothécaire
Collateral Mortgage | Hypothèque subsidiaire
Carleton 2015-05-06 - 34811720

Ernst & Young Inc.
1871 Hollis ST SUITE 500
Halifax NS
B3E 0C3
Claimant | Réclamant
Court Vesting Order | Ordonnance d'envoi en possession
Carleton 2020-07-03 - 40214166

Instruments in the Registration Process | Instruments dans le processus d'enregistrement :

NONE | AUCUN

THIS IS TO CERTIFY THAT the specified owner is the registered owner and holds title in fee simple, by virtue of the specified instrument(s) and in the specified manner of tenure, to the specified parcel, described in Schedule "A" attached hereto. The title to the land is subject to the overriding incidents specified in subsection 17(4) of the Act and also to the specified encumbrances.

LE PRÉSENT CERTIFICAT ATTESTE QUE le propriétaire spécifié est le propriétaire enregistré et est titulaire du titre en fief simple, en vertu de(s) l'instrument(s) spécifié(s), selon le mode spécifié de tenure de la parcelle spécifiée, décrite à l'Annexe <<A>> ci-jointe. Le titre du bien-fonds est soumis aux réserves dérogatoires précisées au paragraphe 17(4) de la Loi et également aux charges spécifiées.

THE TITLE TO THE LAND may be subject to the specified instruments, which have been entered in the instrument record and may be entered on the title register when the registration process is completed.

LE TITRE DU BIEN-FONDS peut être soumis aux instruments spécifiés qui ont été portés au registre des instruments et qui peuvent être portés au registre des titres lorsque la procédure d'enregistrement est achevée.

THIS CERTIFICATE is evidence of the particulars contained herein as of the date and time of its issue. The description is not conclusive as to the boundaries or extent of the land.

LE PRÉSENT CERTIFICAT constitue la preuve des renseignements qu'il contient à la date et à l'heure de sa délivrance. La description n'est pas probante en ce qui concerne les limites ou l'étendue du bien-fonds.

Date & Time | Date et heure : 2020-12-02 08:40:12

Registrar of Land Titles for the District of New Brunswick

Le registrateur des titres de biens-fonds de la Circonscription du Nouveau-Brunswick

Report ID | Rapport ID : 6292821

Schedule A | Annexe A

PID | NID : 10264810

Apparent Parcel Access | Accès apparent à la parcelle : Public Access | Accès public

Status | État de la demande : Current | Courant

Effective Date/Time | Date et heure de prise d'effet : 2009-12-21 09:55:17

Legal Description | Description officielle :

Place Name: Woodstock
Parish/County: Woodstock / Carleton
Label of Parcel of Plan: Lot 22
Title of Plan: Woodstock Industrial Park Property
Registration County: Carleton
Registration Number of Plan: 156239A
Registration Date of Plan: 1986-01-30

And Also

All that certain lot, piece or parcel of land and premises situate, lying and being in the Town of Woodstock in the Parish of Woodstock in the County of Carleton and Province of New Brunswick, bounded and described as follows:

BEGINNING at an iron rod set in the eastern limits of a public street as yet unnamed at the northwesterly corner of Lot No. 14 in the Cygnet Canada Subdivision; thence running north fourteen degrees twenty minutes east along the eastern limits of said public street 245.7 feet to the southern limits of Heller Street; thence south seventy-five degrees fifteen minutes east along the southern limits of Heller Street 240 feet to an iron rod set in the western limits of the Canadian National Railways right of way; thence south fourteen degrees thirty-five minutes west along the western limits of said Canadian National Railways right of way 245.75 feet to the northern limits of the above mentioned Lot No. 14; thence north seventy-five degrees fifteen minutes west along the northern boundary of said Lot No. 14, 239 feet to the place of beginning; Containing 1.35 acres; Being the same lands conveyed to Cygnet Canada Limited by deed dated May 17, 1973 and registered in the Carleton County Records in Book 262 at Page 78 on March 25, 1976 as No. 127556.

APPENDIX F

1849 Route 640, Hanwell Rd
Fredericton NB
E3C 2A7



Office: 506.454.4400
Toll-free: 877.499.4400
Fax: 506.450.3288

AUCTION PROPOSAL

FOR:

George Kinsman, CPA, CA, CIRP, LIT
Partner, Ernst & Young Inc
RBC Waterside Centre
1871 Hollis Street, Suite 500
Halifax, Nova Scotia B3J-0C3
George.c.kinsman@ca.ey.com
(902) 421-6282

Re: 13 returned assets from McCains (November 2020) being stored for the winter.

1849 Route 640, Hanwell Rd
Fredericton NB
E3C 2A7



Office: 506.454.4400
Toll-free: 877.499.4400
Fax: 506.450.3288

PROPOSED SCOPE OF WORK

Jardine Auctioneers Inc is a licensed and bonded Auctioneering company located in Fredericton, NB that specializes in Orderly Liquidation Auctions. I propose that the following assets be transported to our Satellite storage facility in Grand Falls to be stored for the winter and subsequently sold in our March 2021 Equipment auction. The assets are as follows:

1. Case IH 7988 Combine
2. 2007 Patriot SPX3320 Sprayer
3. 2003 Case IH MX285 tractor
4. 2017 Lockwood model 656 6-row Windrower
5. Betterbuilt Seed piece treater
6. Lockwood 2-row Harvester
7. Lockwood planter #2
8. Case IH 966 tractor
9. Lockwood 6-row windrower W11
10. Big Jim 36ft Superflex packer
11. 2012 Lockwood 506P Planter #6
12. Lockwood 472AH 2-row harvester
13. Mayrath 8" PTO grain auger

TERMS & CONDITIONS

1. The entire inventory will be sold free and clear of all liens and encumbrances.
2. Assets that surpass 75% of its orderly liquidation value (OLV) will be sold. Assets where the high bid is below 75% of OLV will be sold "pending approval" with the receiver having the choice to either accept the bid, reject the bid or supply a counter offer to the high bidder. There will be no cost to the receiver if the high bid is rejected.
3. The consignor agrees to pay the transportation expense of \$9900.00 and storage cost expense of \$2000.00 per month.
4. The consignor shall supply all ownership documents and paperwork required to transfer ownership to the buyer.
5. The consignor agrees to maintain proper insurance coverage on the assets and property during the term of this agreement.
6. Upon receipt of the auction proceeds, the consignor is to release its interest within five (5) business days.
7. The auctioneer will provide, if requested, a financial stability letter from their bank.
8. Every attempt shall taken to ensure all items are paid in full. In the event an auction item(s) have not been paid for they shall be deemed as "not sold" and will not be included in the remittance of proceeds. If a deposit was collected it shall be deemed as forfeited by the buyer and the money will be split between the auctioneer and consignor. Ownership on all "not sold" inventory shall remain with the consignor and the asset will be sold in a future auction.
9. The auctioneer shall be responsible for all expenses incurred including set up, display, advertising, function, staffing, loading & unloading, payment collection and HST remittance (if applicable).
10. The auctioneer shall report to the consignor all matters related to repairs that could greatly enhance the potential sale amount of the asset. The auctioneer will communicate to the consignor the cost of repair and the potential benefit if performed and will only complete the repairs if authorized (by email).
11. The auctioneer will provide to the consignor a spreadsheet of results two (2) business days following the auction sale date.
12. The auctioneer will provide to the consignor an audited accounting of the auction sale results that detail the transportation expenses, repair expenses (if applicable), the commission and the buyer information (if requested). This report will be provided seven (7) days following the auction sale date.
13. Upon acceptance of the audited results, the auctioneer will wire transfer the net proceeds to the consignor.

1849 Route 640, Hanwell Rd
Fredericton NB
E3C 2A7



Office: 506.454.4400
Toll-free: 877.499.4400
Fax: 506.450.3288

AUCTION CONTRACT
BETWEEN

Jardine Auctioneers Inc ("the auctioneer")
1849 Route 640, Hanwell Road
Fredericton NB, Canada E3C 2A7
John Jardine, President

&

Ernst & Young Inc
"acting in its capacity as court
appointed Receiver"
RBC Waterside Centre
1871 Hollis Street, Suite 500
Halifax, Nova Scotia B3J 0C3
Att: George Kinsman CPA, CA, CIRP, LIT
Partner | Turnaround & Restructuring
Strategy

1. The Auction will be held on Friday, March 26, 2021 beginning at 9:00am A.S.T.
2. Assets that surpass 75% of its orderly liquidation value (OLV) will be sold. Assets where the high bid is below 75% of OLV will be sold "pending approval" with the receiver having the choice to either accept the bid, reject the bid or supply a counter offer to the high bidder. There will be no cost to the receiver if the high bid is rejected.
3. The inventory will be sold fee and clear with no liens or encumbrances.
4. The auctioneer will be responsible for all advertising costs associated with the auction as set out in the proposal.
5. The inventory will remain in its storage location leading up to the auction date.
6. The agreed upon commission rate due to the auctioneer will be 5% (five percent) of the hammer price.
7. The consignor agrees to all terms and conditions set out in the auction proposal.
8. The auctioneer will provide an unaudited spreadsheet of results 2 (two) business days following the auction sale.
9. The auctioneer will provide an audited spreadsheet 7 (seven) days following the auction sale date that includes commission & transportation deductions that will represent the amount due to the consignor. Upon acceptance of this document, the auctioneer will wire transfer the proceeds as directed by the consignor.
10. The auction will be a simulcast on-line auction open to all members of the public and on line buyers.

AGREEMENT DATE: _____ (print)

X _____
JOHN JARDINE, PRESIDENT
I have the authority to bind this agreement

X _____
GEORGE KINSMAN, PARTNER
acting in its capacity as court appointed receiver

APPENDIX G

Ernst & Young Inc.
RBC Waterside Centre
1871 Hollis Street, Suite 500
Halifax NS B3J 0C3
Fax: (902) 420-0503
E-mail: hillspring.trustee@ca.ey.com

District of: New Brunswick
Division No. 02 - Fredericton
Court No. 25075
Estate No. 51-2654572

FORM 31
Proof of Claim

(Sections 50.1, 81.5, 81.6, Subsections 65.2(4), 81.2(1), 81.3(8), 81.4(8), 102(2), 124(2), 128(1),
and Paragraphs 51(1)(e) and 66.14(b) of the Act)

In the Matter of the Bankruptcy of Hillspring Farms Ltd.
Of the Village of Centreville, Carleton County
In the Province of New Brunswick

All notices or correspondence regarding this claim must be forwarded to the following address:

Grand Falls Agromart Ltd.
PO Box 7875 GRAND FALLS NB E3Z 3E8

In the matter of the bankruptcy of Hillspring Farms Ltd. of the Village of Centreville in the Province of New Brunswick and the claim of Grand Falls Agromart Ltd., creditor.

I, DANNY BLANCHETTE (name of creditor or representative of the creditor), of the city of Grand Falls in the province of N-B, do hereby certify:

1. That I am a creditor of the above named debtor (or I am President (position/title) of Grand Falls Agromart Ltd. creditor).

2. That I have knowledge of all the circumstances connected with the claim referred to below.

3. That the debtor was, at the date of bankruptcy, namely the 26th day of June 2020, and still is, indebted to the creditor in the sum of \$230,356.19, as specified in the statement of account (or affidavit) attached and marked Schedule "A", after deducting any counterclaims to which the debtor is entitled. (The attached statement of account or affidavit must specify the vouchers or other evidence in support of the claim.)

4. (Check and complete appropriate category.)

☐ A. UNSECURED CLAIM OF \$ _____
(other than as a customer contemplated by Section 262 of the Act)

That in respect of this debt, I do not hold any assets of the debtor as security and
(Check appropriate description.)

☐ Regarding the amount of \$ _____, I claim a right to a priority under section 136 of the Act.

☐ Regarding the amount of \$ _____, I do not claim a right to a priority.
(Set out on an attached sheet details to support priority claim.)

☐ B. CLAIM OF LESSOR FOR DISCLAIMER OF A LEASE \$ _____

That I hereby make a claim under subsection 65.2(4) of the Act, particulars of which are as follows:
(Give full particulars of the claim, including the calculations upon which the claim is based.)

☒ C. SECURED CLAIM OF \$ 230,566.19

That in respect of this debt, I hold assets of the debtor valued at \$ 230,566.19 as security, particulars of which are as follows:

(Give full particulars of the security, including the date on which the security was given and the value at which you assess the security, and attach a copy of the security documents.) I have 1869 tonnes of grain stored in debtor's Silos.

☐ D. CLAIM BY FARMER, FISHERMAN OR AQUACULTURIST OF \$ _____

That I hereby make a claim under subsection 81.2(1) of the Act for the unpaid amount of \$ _____
(Attach a copy of sales agreement and delivery receipts.)

- ☐ E. CLAIM BY WAGE EARNER OF \$_____
- ☐ That I hereby make a claim under subsection 81.3(8) of the Act in the amount of \$_____.
- ☐ That I hereby make a claim under subsection 81.4(8) of the Act in the amount of \$_____.
- ☐ F. CLAIM BY EMPLOYEE FOR UNPAID AMOUNT REGARDING PENSION PLAN OF \$_____
- ☐ That I hereby make a claim under subsection 81.5 of the Act in the amount of \$_____.
- ☐ That I hereby make a claim under subsection 81.6 of the Act in the amount of \$_____.
- ☐ G. CLAIM AGAINST DIRECTOR \$_____

(To be completed when a proposal provides for the compromise of claims against directors.)

That I hereby make a claim under subsection 50(13) of the Act, particulars of which are as follows:
(Give full particulars of the claim, including the calculations upon which the claim is based.)

- ☐ H. CLAIM OF A CUSTOMER OF A BANKRUPT SECURITIES FIRM \$_____

That I hereby make a claim as a customer for net equity as contemplated by section 282 of the Act, particulars of which are as follows:
(Give full particulars of the claim, including the calculations upon which the claim is based.)

6. That, to the best of my knowledge, I DO NOT (claim not) (or the above-named creditor is not (is not)) related to the debtor within the meaning of section 4 of the Act, and have (have not/has not) dealt with the debtor in a non-arm's-length manner.

6. That the following are the payments that I have received from, and the credits that I have allowed to, and the transfers at undervalue within the meaning of subsection 2(1) of the Act that I have been privy to or a party to with the debtor within the three months (or, if the creditor and the debtor are related within the meaning of section 4 of the Act or were not dealing with each other at arm's length, within the 12 months) immediately before the date of the initial bankruptcy event within the meaning of Section 2 of the Act (Provide details of payments, credits and transfers at undervalue.)

7. (Applicable only in the case of the bankruptcy of an individual.)

- ☐ Whenever the trustee reviews the financial situation of a bankrupt to redetermine whether or not the bankrupt is required to make payments under section 68 of the Act, I request to be informed, pursuant to paragraph 68(4) of the Act, of the new fixed amount or of the fact that there is no longer surplus income.
- ☐ I request that a copy of the report filed by the trustee regarding the bankrupt's application for discharge pursuant to subsection 170(1) of the Act be sent to the above address.

Dated at Grand Falls NB, this 13 day of July, 2020.

[Signature]
Witness

[Signature]

Creditor
Phone Number: 506-473-1941
Fax Number: 506-473-3697
E-mail Address: _____

NOTE If an individual creditor, it must have been made to him a person qualified to take evidence

VERIFICATION A creditor may, pursuant to subsection 170(2) of the Act, require a security or payment to the secured creditor of the debt on the value of the security is asserted, in a proceeding by the secured creditor.

Subsection 20(1) of the Act provides some guidance for making any false claim, pool, or division or statement of account

Donna Tuck

From: Zach LeBlanc
Sent: July 13, 2020 6:27 PM
To: Donna Tuck
Subject: FW: Hillspring Farms Ltd.
Attachments: Proof of claim and Schedules A & B.pdf

From: Pierre Soucy <pierre@droitsoucy.com>
Sent: Monday, July 13, 2020 3:06 PM
To: Hillspring <hillspring.trustee@ca.ey.com>
Cc: danny@grandfallsagromart.com
Subject: Hillspring Farms Ltd.

Mr. Kinsman,

Please find enclosed a Proof of Claim duly executed by my client Grand-Falls Agromart Ltd. together with Schedules A & B.

My client is submitting in his proof of claim a secured claim of 230 566.19\$. My client has 1869 Metric Tons of grain which is located in Hillspring Farms Ltd. Silos located at CN Road Grand Falls New Brunswick.

My client is claiming a priority on this grain as it belongs to Grand-Falls Agromart Ltd.

Regards,

Pierre

Pierre S. Soucy, B.A.A., LL.B.
Avocat / Lawyer
Pierre Soucy, Professional Corporation
411, rue Champlain Street
2^e étage / 2nd Floor
Dieppe, N.B. E1A 1P2

Tel.: (506) 855-9194
Fax/Téléc: (506) 855-9195
Email/courriel: Pierre@droitsoucy.com

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SCHEDULE 'A'



Grand Falls Agromart Ltd.

PO Box 7875
38 Chemin Despres
Grand Falls, NB E3Z 3E8
506-473-1941

STATEMENT

Statement Date: July 10, 2020
Account No. 00994
Hillspring Farms Ltd.
Page No.: 1

Hillspring Farms Ltd.
P O Box 409
Bath , NB E7J 2N2
Canada

Customer Phone: 506-278-5851
HST/GST No.: 102169299RT0001

Date	Document No.	Due Date	Description	Amount	Amount Due
05/31/19	Fin.Chg. FIN12528	05/31/19	Finance Charge Memo FIN12528		2,854.78
06/30/19	Fin.Chg. FIN12572	06/30/19	Finance Charge Memo FIN12572		5,274.73
07/31/19	Fin.Chg. FIN12661	07/31/19	Finance Charge Memo FIN12661		5,205.74
08/19/19	Invoice 273606	09/30/19	Order 032630		29,596.53
08/19/19	Invoice 273607	09/30/19	Order 032635		2,704.00
08/19/19	Invoice 273608	09/30/19	Order 032637		2,704.00
08/19/19	Invoice 273609	09/30/19	Order 032694		110.40
08/22/19	Invoice 273677	09/30/19	Order 032633		2,240.00
08/22/19	Invoice 273678	09/30/19	Order 032634		28,420.00
08/22/19	Invoice 273708	09/30/19	Order 032907		300.00
08/22/19	Invoice 273715	09/30/19	Order 033139		8,112.00
08/27/19	Invoice 273812	09/30/19	Order 032709		542.80
08/28/19	Invoice 273850	09/30/19	Order 033228		14,800.00
08/30/19	Invoice 273951	09/30/19	Order 033268		9,532.60
08/30/19	Invoice 273960	09/30/19	Order 033088		1,200.00
08/31/19	Invoice 273998	09/30/19	Order 033328		741.58
08/31/19	Invoice 274008	09/30/19	Order 033340		197.75
08/31/19	Fin.Chg. FIN12894	08/31/19	Finance Charge Memo FIN12894		5,943.20
09/13/19	Invoice 274187	10/31/19	Order 033599		10,824.20
09/17/19	Invoice 274221	10/31/19	Order 033646		804.60
09/19/19	Invoice 274332	10/31/19	Order 033613		6,720.00
09/25/19	Invoice 274428	10/31/19	Order 033781		380.00



Grand Falls Agromart Ltd.

PO Box 7875
38 Chemin Despres
Grand Falls, NB E3Z 3E8
506-473-1941

STATEMENT

Statement Date: July 10, 2020
Account No. 00994
Hillspring Farms Ltd.
Page No.: 2

Date	Document No.	Due Date	Description	Amount	Amount Due
09/30/19	Invoice	274510	10/31/19	Order 033874	2,919.54
09/30/19	Fin.Chg.	FIN13006	09/30/19	Finance Charge Memo FIN13006	7,259.02
10/15/19	Invoice	274628	11/30/19	Order 033925	407.10
10/22/19	Invoice	274718	11/30/19	Order 034087	781.61
10/31/19	Fin.Chg.	FIN13097	10/31/19	Finance Charge Memo FIN13097	10,806.49
11/30/19	Fin.Chg.	FIN13173	11/30/19	Finance Charge Memo FIN13173	11,293.31
12/12/19	Invoice	275346	01/31/20	Order 034729	528.74
12/31/19	Fin.Chg.	FIN13230	12/31/19	Finance Charge Memo FIN13230	11,480.53
01/31/20	Fin.Chg.	FIN13289	01/31/20	Finance Charge Memo FIN13289	11,652.74
02/29/20	Fin.Chg.	FIN13342	02/29/20	Finance Charge Memo FIN13342	11,835.46
03/31/20	Fin.Chg.	FIN13387	03/31/20	Finance Charge Memo FIN13387	3,122.61
04/20/20		TRANSFER FOR PMT	04/20/20	Hillspring Farms Ltd.-Transfer For PMT	8,997.45
04/30/20	Fin.Chg.	FIN13423	04/30/20	Finance Charge Memo FIN13423	3,304.41
05/31/20	Fin.Chg.	FIN13459	05/31/20	Finance Charge Memo FIN13459	3,353.98
06/30/20	Fin.Chg.	FIN13567	06/30/20	Finance Charge Memo FIN13567	3,404.29

Statement Balance	230,356.19
Extended Terms	0.00
Net Amount Due	230,356.19
Total GST/HST This Period (May 1, 2019 - Jul 10, 2020)	2,421.77
Prepaid Balance Remaining	0.00

Statement Aging:					
Days overdue:	Current	Up To 30 Days	31 - 60 Days	Over 60 Days	Extended Terms
Aged amounts:	0.00	3,404.29	3,353.98	223,597.92	0.00

01-30-20 09:42 FROM- Hillspring Farms

15062783139

T-620 P0002/0002 F-920

PURCHASE CONTRACT - FP

Grand Falls Agromart Ltd.
P.O Box 7876
Grand Falls, New Brunswick E3Z 3E8

Phone:

FAX:

REPRINTED: 2020-01-28 11:49:07

Contract No. : 1646
Contract Date : 2019-10-15
Reference :
Our Trader : Danny Blanchette
Your Contact : Hillspring warehouse and
Contact Phone No. :
Contact FAX No. :

Purchased From
Grower 00711

Hillspring warehouse and logistics
281 Larrtown rd
Bath, New Brunswick E7J 2N2
Canada

Commodity : O Oats
Quantity : 2500.00000 MT

Grade: 2 Grade 2

Pricing/MT :	MT	Futures	Base	Futures Month	Price	CAD
	2500.00000	285.0000	0.0000	Mar/20 CBOT	285.0000	

Shipment Period : Harvest 2019 START: 2019-10-15 END: 2020-03-15

Ship Mode	Weight To Govern	Grades To Govern	Del, Basis/FOB Point
Roll	Destination Type	Destination Type	On Farm Pick Up

Discount Schedule Notes:

Moisture: 1.15% shrink over 14.1%
Drying: starting at \$12.80 per MT
Test Weight: 38.1

Contract Notes:

(1) All rates/discounts are subject to change without notice. If you are not in agreement with this pricing, please contact the Grand Falls Agromart Ltd. office immediately. (2) Unless otherwise notified within (5) days from the contract date, Grand falls Agromart Ltd. assumes that the producer is in agreement with all terms & conditions listed on the contract document.

Trade Rules To Govern: Canadian Grain Commission

Payment Terms: Net 30 days

Please sign and return the contract within 8 business days...

Buyer:

Seller:

Name:

Hillspring Warehouse & Logistics
Danny Blanchette

PURCHASE CONTRACT - FP

Grand Falls Agromart Ltd.
P.O Box 7875
Grand Falls, New Brunswick E3Z 3E8

Phone:
FAX:

Contract No. : 1648
Contract Date : 2020-02-10
Reference :
Our Trader : Danny Blanchette
Your Contact : Hillspring warehouse and l
Contact Phone No. :
Contact FAX No. :

Purchased From
Grower 00711

Hillspring warehouse and logistics
291 tarrtown rd
Bath, New Brunswick E7J 2N2
Canada

Commodity : O Oats
Quantity : 1500.00000 MT

Grade: 2 Grade 2

Pricing/MT	MT	Futures	Basis	Futures Month	Price	CAO
	1500.00000	280.0000	0.0000	Mar/20 CBOT	280.0000	

Shipment Period : Feb 020

START: 2020-02-07

END: 2020-05-31

Ship Mode	Weight To Govern	Grades To Govern	Del. Basis/FOB Point
Rail	Destination Type	Destination Type	Delivered

Discount Schedule Notes:

Moisture: 1.18% shrink over 14.1%
Drying: starting at \$12.80 per MT
Test Weight: 38.1

Contract Notes:

(1) All sales/discounts are subject to change without notice. If you are not in agreement with this pricing, please contact the Grand Falls Agromart Ltd. office immediately. (2) Unless otherwise notified within (5) days from the contract date, Grand falls Agromart Ltd. assumes that the producer is in agreement with all terms & conditions listed on the contract document.

Trade Rules To Govern: Canadian Grain Commission

Payment Terms: Net 30 days

Please sign and return the contract within 5 business days.

Buyer:

Seller:

Name:

Pierre Soucy

From: MacParland, Natasha <NMacParland@dwpv.com>
Sent: Wednesday, April 8, 2020 12:38 PM
To: Pierre Soucy
Subject: RE: Grand Falls Agromart Ltd.

WITH PREJUDICE

Pierre –

Thank you for your email. I act for McCain Foods, intended purchaser of the farming assets of Hillspring including the grain located at 85 CN Road, Grand Falls, NB. That transaction is scheduled to close on April 29, 2020 and is subject to obtaining an approval and vesting order from the NB court. As I mentioned to you on our call of last week, Hillspring is currently insolvent. Hillspring's banks are its significant secured lenders which have issued demand letters and are in a position to enforce their security. It is currently anticipated that the banks will be seeking an order appointing a receiver over all the property, assets and undertaking of Hillspring during the week of April 20. In the meantime, McCain has stepped in to provide assistance to Hillspring with its operations in order to minimize disruption to the community.

With respect to your client's actions of yesterday, these must stop. On April 6, 2020, Agromart was permitted to remove the grain which Agromart owned and was storing at the Hillspring location with the address of 85 CN Road, Grand Falls, NB. All other grain is the property of Hillspring and your client is not entitled to access or trespass on Hillspring property or otherwise interfere with Hillspring's property. Any further unauthorized attendances at the Hillspring location or attempts to remove grain will result in an immediate call to police.

Specifically with respect to the 31.6 metric tons (March 31) and 25 metric tons (April 7) of grain removed from Silo 14 without Hillspring's authorization, Hillspring expects payment to be remitted by **April 17, 2020**. If your client fails to do so, Hillspring will raise this illegal conversion of its property with the NB Court on the receivership application and seek an order compelling payment.

To be clear, Agromart has not yet purchased or paid for the grain located at 85 CN Road, Grand Falls, NB and which is the subject matter of the invoices that you reference. That grain is entirely the property of Hillspring. Given its financial situation, Hillspring is no longer able to sell the grain to Agromart on the terms of those purchase orders and requires your client to make different arrangements for payment for the grain on delivery. Upon your client making payment on delivery, Hillspring will sell additional grain to your client. Arrangements can be made through Bill Adams.

I am available at your convenience to discuss this matter further.

Yours truly,
Natasha

Natasha MacParland | [Bio](#) | [vCard](#)
T 416.863.5567
nmacparland@dwpv.com

DAVIES

155 Wellington Street West
Toronto, ON M5V 3J7
dwpv.com

DAVIES WARD PHILLIPS & VINEBERG LLP

This email may contain confidential information which may be protected by legal privilege. If you are not the intended recipient, please immediately notify us by reply email or by telephone. Delete this email and destroy any copies.

From: Pierre Soucy <pierre@droitsoucyllaw.com>
Sent: April 7, 2020 8:57 AM

APPENDIX H



Dieppe
11 Englehart Street
Suite 200
Dieppe, NB E1A 7Y7
Tel: +1 506 853 3097
Fax: +1 506 859 7190

Fredericton
50 Crowther Lane
Suite 110
Fredericton, NB E3C 0J1
Tel: +1 506 455 8181
Fax: +1 506 455 8141

Halifax
RBC Waterside Centre
1871 Hollis Street
Suite 500
Halifax, NS B3J 0C3
Tel: +1 902 420 1080
Fax: +1 902 420 0503

Saint John
Red Rose Tea Building
5th floor
12 Smythe Street
Saint John, NB E2L 5G5
Tel: +1 506 634 7000
Fax: +1 506 634 2129

St. John's
Fortis Place
5 Springdale Street
Suite 800
St. John's, NL A1E 0E4
Tel: +1 709 726 2840
Fax: +1 709 726 0345

Ernst & Young Inc.
Atlantic Canada
ey.com

VIA E-MAIL (danny@grandfallsagromart.com)

Grand Falls Agromart Ltd.
PO Box 7875
Grand Falls NB E3Z 3E8

August 7, 2020

Attention: Mr. Danny Blanchette, President

Re: In the Matter of the Bankruptcy of Hillspring Farms Limited

As you are aware, Ernst & Young Inc. acts as the Trustee in Bankruptcy (the "**Trustee**") of Hillspring Farms Ltd. ("**Hillspring**"), HSF Foods Ltd. ("**HSF**"), and Hillspring Warehouse & Logistics Inc. ("**Logistics**") (collectively the "**Companies**").

The Trustee confirms receipt of Grand Falls Agromart Ltd.'s proof of claim with support schedules (the "**Claim**") filed against the Hillspring estate. The Claim is a secured claim valued at \$230,359.19. In order for the Trustee to properly assess the Claim we ask that the following supporting documentation be provided to the Trustee within 21 days:

1. Please provide copies of the detailed invoices referenced on the Account Statement filed in support of the Claim including the Finance Charge Memo's. If not referenced on the invoice itself, please provide support for Agromart's entitlement to apply financing charges including the applicable terms for same;
2. Please produce a reconciliation schedule (with supporting scale slips) confirming the metric tonnes of grain delivered to the facility less metric tonnes removed from the facility which nets to the Claim tonnage of 1,869 tonnes of grain stored on site; and
3. As noted above, you have filed a secured claim against the Hillspring estate. Please provide any relevant documents to support your position as being a secured creditor as opposed to being an unsecured creditor of the estate.

We appreciate your assistance with this matter and look forward to receiving the above supplemental information within 21 days. Should you have any questions, please do not hesitate to contact the undersigned.

Yours truly,

ERNST & YOUNG INC.
Licensed Insolvency Trustee
acting in its capacity as Trustee in Bankruptcy
of the Companies

Per:

George Kinsman CPA, CA, CIRP, LIT
Senior Vice President

APPENDIX I

District of: New Brunswick
Division No. 02 - Fredericton
Court No. 25075
Estate No. 51-2654572

FORM 77

Notice of Disallowance of Claim, Right to Priority or Security or Notice of Valuation of Claim
(Subsection 135(3) of the Act)

In the Matter of the Bankruptcy of Hillspring Farms Ltd.
Of the Village of Centreville, Carleton County
In the Province of New Brunswick

Grand Falls Agromart Ltd
PO Box 7875
Grand Falls NB E3Z 3E8 CAD

Take notice that:

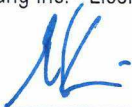
As trustee acting in the matter of the bankruptcy of Hillspring Farms Ltd., we have disallowed your claim (or your right to a priority or your security on the property) in whole, pursuant to subsection 135(2) of the Act, for the following reasons:

You have filed a secured claim in the amount of \$230,356.19 against the estate of Hillspring Farms Ltd. However, you have not provided sufficient evidence to support your position as being a secured creditor as opposed to being an unsecured creditor on the estate. Therefore, we have disallowed your right to the secured nature of your claim.

We will reserve further comments on the quantum of your claim at this time and subject to the Trustee determining that there are funds available for distribution to the unsecured creditors.

And further take notice that if you are dissatisfied with our decision in disallowing your claim in whole (or a right to rank or your security or valuation of your claim), you may appeal to the court within the 30-day period after the day on which this notice is served, or within any other period that the court may, on application made within the same 30-day period, allow.

31 5+
Dated at the City of Halifax in the Province of Nova Scotia, this ~~20~~ day of August 2020.

Ernst & Young Inc. - Licensed Insolvency Trustee
Per: 

Ernst & Young Inc. - Licensed Insolvency Trustee
RBC Waterside Centre
1871 Hollis Street, Suite 500
Halifax NS B3J 0C3
Fax: (902) 420-0503

APPENDIX J

PROPOSED SECOND INTERIM DISTRIBUTION SCHEDULE

DISBURSEMENTS

TOTAL 2nd Interim Distribution \$ 6,701,523.85