

This is the 2nd Affidavit
of Douglas Pankiw in this case
and was made on 22/Aug/2024

No. S-245481
Vancouver Registry

In the Supreme Court of British Columbia

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED

AND

IN THE MATTER OF THE *COOPERATIVE ASSOCIATION ACT*, S.B.C. 1999, C 28

AND

IN THE MATTER OF BC TREE FRUITS COOPERATIVE, BC TREE FRUITS
INDUSTRIES LIMITED and GROWERS SUPPLY COMPANY LIMITED

PETITIONERS

AFFIDAVIT

I, Douglas Pankiw of Kelowna, British Columbia, Interim Chief Executive Officer and Chief
Financial Officer, AFFIRM THAT:

1. I am the Interim Chief Executive Officer and Chief Financial Officer of the Petitioners, BC Tree Fruits Cooperative ("**BCTFC**"), BC Tree Fruits Industries Limited ("**BCTF Industries**") and Growers Supply Company Limited ("**GSC**", together with BCTFC and BCTF Industries, the "**Petitioners**"), and as such, I have personal knowledge of the facts and matters hereinafter deposed to, except where stated to be based on information and belief, in which case I verily believe the same to be true.
2. This affidavit is sworn in support of an application to amend and restate the initial order that was granted in this proceeding on August 13, 2024. Unless otherwise indicated herein, I adopt the defined terms set out in my first affidavit in this proceeding.
3. I am authorized to make this Affidavit on behalf of the Petitioners.

Inability to extend the storage and processing capabilities for the 2024 crop season

4. I understand that some of the Growers, through the media or otherwise, are inquiring as to whether BCTFC could reopen its operations for the 2024 apple harvest. Such an operation is impractical, if not impossible, for numerous reasons, including the following:
 - (a) many sales programs and commitments with BCTFC's customers have completed or will be completed. Without understanding the volumes and mix of fruit the Growers would provide BCTFC for the 2024 crop, BCTFC could not secure stable distribution and commitments from customers.
 - (b) BCTFC has been operating at a loss over the last few years. As noted in my first affidavit, any net profit was a result of the sale of investment assets rather than operating income. BCTFC currently does not have the cash to fund the continuation of storage and operations. It is difficult to estimate the cost of restarting operations without the knowledge of the volume of apples to be expected, among other things. That said, I estimate that it would cost a minimum of \$1.5 million to restart the operations and continue to cost at least \$1.2 million each month to maintain operations for the 2024 apple harvest. These estimates are in addition to the operating expenses that are already being funded by the interim financing facility.
 - (c) as noted in my first affidavit, the BCTFC board resolved to cease accepting fruit from the Growers on July 25, 2024, as BCTFC would not be able to pay the Growers for their future fruit receipts. Attached hereto and marked as **Exhibit "A"** to this Affidavit is a copy of the draft analysis that was relied on by the BCTFC Board in making this decision (the "**Volume Analysis**"). The Volume Analysis provides that at 45,000 bins of apples, BCTFC would be operating with an approximately \$2.8 million loss. At the time the Volume Analysis was presented to the BCTFC Board, it was estimated that BCTFC would receive 36,400 bins of apples. For context, one bin contains approximately 800 pounds of apples. Under the current circumstances, I would expect even lower apple deliveries which would significantly increase the losses to be incurred.
 - (d) many employees have found other employment or have communicated they will be leaving the Kelowna and Oliver area which is home to BCTFC's packaging and

storing facilities. I anticipate that many employees would not return to work or would only return until they find another job as this would merely be a temporary position. Managing the business efficiently would be very challenging under these circumstances.

- (e) storage of fruit needs to be arranged and managed through the packing house. If the packing house receives fruit, there is a commitment to process and sell the fruit. When fruit is stored in the facility, it must be separated between types of fruit, including the different varieties of apples: one storage room cannot store different varieties, as described further below.
5. In addition to the above, there are safety and environmental concerns that arise if operations reopen. All refrigeration and controlled atmosphere locations ("**CA Rooms**") have either ammonia or brine refrigeration which are closely regulated. In addition, CA Rooms are sealed environments where Oxygen is taken down to as low as 1% while other gasses such as Carbon Dioxide or Nitrogen are added, depending on the variety of the apple. It requires days to achieve the CA Room atmosphere and additional days to bring the CA Rooms back to a regular atmosphere that allows the rooms to be accessed without breathing apparatuses.
 6. For Growers to store and package the fruit at BCTFC facilities, the process described above must be followed. The use of refrigeration or CA Rooms would need to be coordinated through packing houses and not individual Growers. These rooms in each facility hold thousands of bins. The process to receive, keep inventory, and release stored bins many months after the initial storage is complicated. CA Rooms need to be filled within days and then sealed to be effective. These rooms must hold the same apple varieties per room (e.g., Gala apples with other Gala apples and Ambrosia apples with other Ambrosia apples) and cannot be opened randomly for each Grower to take their own fruit out on their own timeline. Each time a CA Room is brought back to atmosphere and then taken down again there can be a risk to the remaining fruit inside.

7. In the circumstances, it is not feasible to allow some Growers to store their fruit at the BCTFC facilities.

AFFIRMED BEFORE ME at Kelowna,
British Columbia, on 22/Aug/2024.

A Commissioner for taking
Affidavits for British Columbia

BRADLEY C. CRONQUIST

BARRISTER & SOLICITOR
#301 - 1665 Ellis Street
Kelowna, BC V1Y 2B3
Phone: (250) 762-2108


Douglas Pankiw

This is **Exhibit "A"** referred to in the
Affidavit No. 2 of Douglas Pankiw
affirmed before me at Kelowna on this
22 day of August, 2024.



A Commissioner for taking Affidavits for
British Columbia

BRADLEY C. GRONQUIST
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DRAFT: FOR DISCUSSION PURPOSES ONLY

VOLUME IMPACT ON GROWER EARNINGS

BUDGET

Bins	66,250	60,000	55,000	50,000	45,000
Volume	53,000,000	48,000,000	44,000,000	40,000,000	36,000,000
Revenue	37,800,000	34,233,962	31,381,132	28,528,302	25,675,472
ASP Per Pound	0.7132	0.7132	0.7132	0.7132	0.7132
% Packed	73.0%	73.0%	73.0%	73.0%	73.0%
Pounds Packed	38,690,000	35,040,000	32,120,000	29,200,000	26,280,000
Boxes Packed	943,659	854,634	783,415	712,195	640,976
Total Direct Costs	7,435,195	6,733,762	6,172,615	5,611,468	5,050,321
Cost Per Box	7.88	7.88	7.88	7.88	7.88
CM	30,364,805	27,500,201	25,208,517	22,916,834	20,625,150
Freight	88,538				
Budgeted OH	24,973,031	24,973,031	24,973,031	24,973,031	24,973,031
Other Income	2,697,917	1,500,000	1,500,000	1,500,000	1,500,000
Net Return to Growers	8,178,229	4,027,170	1,735,486	(556,197)	(2,847,880)
Cents Per Pound	*1) 0.1543	0.0839	0.0394	(0.0139)	(0.0791)
Variance to 25 cents	0.096	0.166	0.211	0.264	0.329
Additional Earnings Needed	5,071,771	7,972,830	9,264,514	10,556,197	11,847,880

*1) High probability would not be able to honour AQ Guarantee

Note: Lease Payment for Vaughan not included in any pools, will be written off in current year

Loan Payments Per Year-(Principal)	3,500,000
Amortization	5,263,000
Available Cash	1,763,000

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TREE FRUITS INDUSTRIES LIMITED and GROWERS SUPPLY
COMPANY LIMITED

Petitioners

AFFIDAVIT

NORTON ROSE FULBRIGHT CANADA LLP
Barristers & Solicitors
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Vancouver, BC V6B 0M3
Attention: Howard A. Gorman, K.C. & Candace Formosa

CLF/ap

Matter# 1001252553