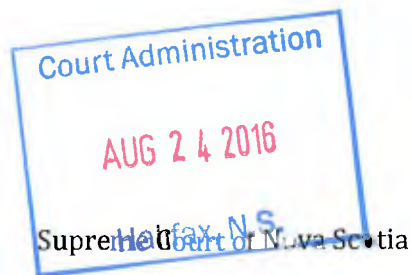


2016



Hfx. No. 454744

Application by Victory Farms Incorporated and Jonathan Mullen Mink Ranch Limited (the "Applicants") for relief under the *Companies' Creditors Arrangement Act*

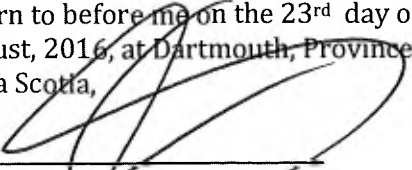
**AFFIDAVIT OF JONATHAN MULLEN**

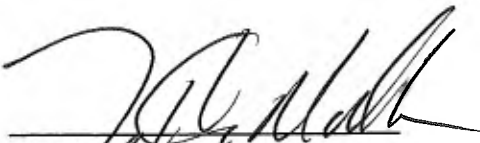
1. I am Jonathan Mullen, and I am president of both Victory Farms Incorporated ("VFI") and Jonathan Mullen Mink Ranch Limited ("JMMR").
2. I have personal knowledge of the evidence sworn to in this affidavit except where otherwise stated to be based on information and belief.
3. I state, in this affidavit, the source of any information that is not based on my own personal knowledge, and I state my belief of the source.
4. The share structure of the Applicants is:
  - (i) VFI Incorporated is 100% owned by me.
  - (ii) JMMR is 75% owned by me, and 25% owned by my wife, Julie-Ann Mullen.
5. My family has been engaged in mink farming for many years, and prior to the incorporation of VFI in 2004 I personally spent nine years working in the industry.
6. Other than as a result of the common share ownership, VFI and JMMR are closely related as JMMR raises approximately 10,000 mink on behalf of VFI annually. VFI pays to JMMR a contract price per mink, although the mink at all times remain the property of VFI. JMMR owns no mink. Initially, JMMR was incorporated by me to operate as a separate entity geographically removed from VFI in order to avoid Aleutian Disease Virus (ADV), the affects of which are described below. However, in the first year of operation the JMMR mink herd contracted ADV and it was necessary to cull the entire herd. Since that time JMMR has not operated independently of VFI.
7. Subject to the subordination agreement described in paragraph 15 below, American Legend Cooperative (ALC) maintains a first charge over all of VFI's present and after acquired personal property, including mink. ALC has a similar first charge against JMMR. There also exist some common unsecured creditors.
8. The mink industry has been plagued for many years by the existence and spread of the ADV. Attached to this my Affidavit as Exhibit "A" is a summary of the causes and affect of ADV published by the Ontario Ministry of Agriculture, Food and Rural Affairs. The presence of ADV in a mink herd leads to poor production results, such as increased mortality, low birth rates, smaller growth and poor fur quality.

9. Due to limited start-up capital, and the challenges of trying to develop a mink genetically resistant to ADV, VFI remained a relatively small sized mink operation between 2004 and 2012. In that year the mink herd began to display positive ADV resistant traits.
10. Having developed an ADV resistant breeding population, beginning in 2012 the Applicants developed an aggressive expansion plan that, if funding could be acquired, would enable the company to grow to become one of the larger mink operations in Nova Scotia.
11. ALC funded the Applicants' expansion plan over a two year period. At the time ALC advanced funds (in the approximate amount of \$4.1 million dollars) it was unclear as to whether the loans were being made in US or Canadian dollars. ALC is taking the position that the advances were in US dollars to be repaid in the same currency. Given the devaluation of the Canadian dollar against the US dollar since 2013-2014, this has potentially greatly inflated the amounts to be repaid to ALC.
12. During 2012 and 2013, as the Applicants built infrastructure and grew its breeder mink herd, mink pelt sale prices were the highest prices in mink industry history.
13. Beginning in 2014, as the Applicants began to produce pelts for market at a much greater volume, the sale price of pelts began to plummet. There was over a 75% decline in prices. Industry analysis of which I am aware, and which I verily believe to be accurate, attributes the price decline to:
  - (a) over production of global mink pelts;
  - (b) higher than usual climate temperatures in China (the primary market); and
  - (c) the invasion of the Ukraine by Russia, which led to sanctions being placed against Russia.
14. Industry analysis of which I am aware, and which I verily believe to be accurate, indicates that China and Russia constitute over 80% of the world market for mink pelts.
15. In July 2015, ALC refused to fund the Applicants operations any further due to future market concerns, and the Applicants began a new relationship with North American Fur Auctions Inc. (NAFA). NAFA provided financing for the 2015 and 2016 production cycle pursuant to a subordination agreement with ALC.
16. The Applicants presently produce approximately 100,000 pelts per year.
17. This year slight increases in mink pelt sales have shown the promise of better times. Industry analysis of which I am aware, and which I verily believe to be accurate, attributes this increase to the result of global production of mink being reduced by some 50%, and greater than expected retail clearances through the 2015/2016 retail selling season. As mink pelt prices are in US dollars, the devaluation of the Canadian dollar against that of the US is beneficial to Canadian mink producers.
18. I remain confident that there will be a relatively quick recovery in mink pelt prices, given that many mink farms are ceasing operations and global demand is likely to increase. Having an ADV resistant breeding population the Applicants are in a good position to respond to increased demand.

19. The Applicants are nevertheless insolvent. In an attempt to survive during this difficult time, the Applicants have reduced the size of the breeder herd, engaged in cheaper contracting agreements, significantly reduced labour costs, and participated in AgriStability (a federal/provincial insurance program).
20. The Applicants employ some 60 individuals on a part-time and full-time basis. It is anticipated that on an ongoing basis the Applicants will generate export sales of between five and seven million dollars per annum.
21. I have reviewed a draft of the report of the proposed monitor, DeLoitte Restructuring Inc. (the "DRI Report") and state that it accurately summarizes the present situation of the Applicants, including the status of the Applicants' individual and combined balance sheets, and it contains a reasonable cash flow projection based upon my past experience of the Applicants' operations. In particular, the DRI Report contains:
  - (a) the requisite statement, prepared on a weekly basis, showing the projected cash flow of the Applicants; and
  - (b) A copy of the latest (June 30, 2016) internal financial statements of the Applicants.
22. Further, I state that with respect to the projected cash flow of the Applicants contained in the DRI Report:
  - (a) The hypothetical assumptions contained in the cash flow are reasonable and consistent with the purpose of the projections described therein, and the probable assumptions are suitably supported and consistent with the plans of the Applicants and provide a reasonable basis for the projections;
  - (b) Since the projections are based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material; and
  - (c) The projections have been prepared solely for the purpose described in the DRI Report, using the probable and hypothetical assumptions described therein. Consequently, readers are cautioned that it may not be appropriate for other purposes.
23. I have been advised by Douglas Lawson, Senior Vice President & CFO of NAFA, and verily believe, that NAFA is prepared to provide interim (debtor in possession) financing to the Applicants should same be approved by the court. Should the initial order be granted, it would be the intention of the Applicants to make a motion for approval of such financing within the next 30 days.
24. I have further been advised by Douglas Lawson, and verily believe, that NAFA is prepared to provide long term financing of the Applicants if a suitable compromise with their creditors can be arranged.

Sworn to before me on the 23<sup>rd</sup> day of  
August, 2016, at Dartmouth, Province of  
Nova Scotia,

  
\_\_\_\_\_  
Tim Hill, O.C.  
A Barrister of the Supreme Court  
Of Nova Scotia

)  
)  
)  
)  
)  
)  
)  
)  
)  
)  
)  
  
\_\_\_\_\_  
Jonathan Mullen

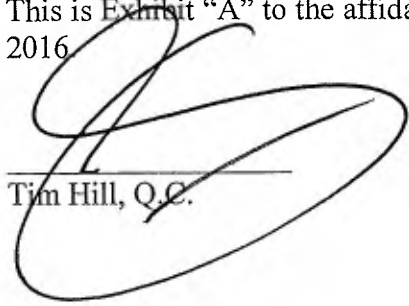
2016

Hfx. No.

Supreme Court of Nova Scotia

Application by Victory Farms Incorporated and Jonathan Mullen Mink Ranch  
Limited (the "Applicants") for relief under the *Companies' Creditors Arrangement Act*

This is Exhibit "A" to the affidavit of Jonathan Mullen sworn before me this 23<sup>rd</sup> day of August,  
2016



Tim Hill, Q.C.



MINISTRY OF AGRICULTURE, FOOD AND RURAL AFFAIRS

## Aleutian Disease in Mink

### Table of Contents

1. Introduction
2. Cause
3. Transmission
4. Disease
5. Postmortem Lesions
6. Diagnosis
7. Treatment
8. Prevention and Control

### Introduction

Aleutian disease (AD) was first described in farm-raised mink in 1956. The disease was so named because it was first found in mink with the Aleutian coat colour gene. It has since been demonstrated that all colour phases of mink are susceptible to the disease, however, marked differences in the average severity of the disease have been noted. The disease is recognized throughout the world and is presently the most important infectious disease affecting farm-raised mink.

### Cause

Aleutian disease is caused by a virus belonging to the family Parvoviridae.

### Transmission

The virus is present in the blood, bone marrow, spleen, feces, urine and saliva of infected mink. The disease can be transmitted to healthy mink directly by contact with infected mink or indirectly by contamination of feed, water, equipment or clothing with the feces, urine or saliva of infected mink. Since the virus is present in the blood of infected mink, fleas are likely capable of transmitting the virus to other animals. An important means of transmission of the infection is from the female to her kits.

### Disease

Aleutian disease progresses slowly, taking up to one year before the mink manifests any symptoms. Throughout this time, the infected mink is a source of the virus and can spread the disease to healthy mink. Characteristically, infected mink carrying the virus do not exhibit symptoms until several weeks or months after they become infected. Symptoms include loss of appetite, decreased activity, weight loss, tarry diarrhea and a rough coat. Once the symptoms become obvious, the death of the mink is certain.

A farm harbouring AD tends to lose a number of mink following extremes in environmental temperature. Deaths due to secondary infections are common because AD reduces the mink's ability to fight other infectious agents. Once the disease has spread to a large proportion of mink on a farm, kit production is drastically reduced due to "misses," abortions and early kit death. High kit mortality due to pneumonia is another less frequently recognized symptom of AD.

### Postmortem Lesions

At postmortem, the spleen is markedly enlarged. The liver and lymph nodes are also often enlarged. The kidneys are enlarged, pale, yellow and mottled. The carcass is often tacky due to dehydration, resulting from kidney failure, which is often the cause of death.

## Diagnosis

Diagnosis of AD in the late stages of the disease can be made based on the history, postmortem and microscopic findings.

AD in live animals is diagnosed with a blood test - the counterimmunoelectrophoresis (CEP) test, which can also be done using blood drawn from the heart of dead animals. The CEP test is specific for AD and is capable of detecting antibodies to AD (positive CEP) one week after experimentally infecting a mink. The CEP test requires sophisticated laboratory equipment to conduct the test and trained personnel to interpret the results. At present, the CEP test is the most practical mass screening method available for the identification of AD-infected mink.

To test for AD, obtain the AD testing kit from the Animal Health Laboratory. A drop of blood in a capillary tube obtained by clipping a toenail of a mink is sufficient for the CEP test. The turnaround time is 2-7 days. To obtain test kits and to schedule testing, contact the Animal Health Laboratory, Laboratory Services Division, University of Guelph, Guelph, Ontario, N1G 2W1, 519-824-4120, ext. 54592.

## Treatment

Since there is no specific treatment for AD, the detection of infected mink is extremely important for preventing further spread of the disease.

## Prevention and Control

Positive animals must be detected and eliminated to prevent spread of the virus and disease.

Have your mink screened if the herd has not been previously tested for AD. Test a representative sample (5% -10%) of the breeding stock, sampling mink from every shed, colour phase and group on the farm.

An ideal time to test proposed breeders is just prior to pelting season (October or November) since all positives would automatically be pelted (culled). A retest of the negative mink kept as breeders just prior to breeding (March) further minimizes the chances of having AD-infected stock, since any previously negative mink now testing positive would not be used as breeders. It is especially important to test the breeder males prior to breeding season (March), since an infected male could potentially infect more than a dozen females during breeding season. It is also wise to test all barren females some time after whelping season (late April to early May) and prior to separation of the kits in July. Because some mink with very low levels of antibodies may undulate between positive and negative CEP test results, test frequently, if economically feasible. Once a farm has initiated a testing program, do not bring new mink onto the farm without prior AD testing, isolate all new mink from the other animals and retest them after 30-60 days.

It has been demonstrated that the disease can be eliminated by strict culling of all mink that test positive for the AD antibody in the CEP test. In addition, the following management practices can decrease the time it takes to control or even eradicate AD:

- Thoroughly clean and disinfect pens and nest boxes that have held AD-positive mink.
- Burn old bedding as well as fur adhering to the wire.
- Do not use high pressure sprayers, since they may aerosolize and spread the virus.
- Clean and disinfect the watering system.
- Remove and dispose of uneaten feed.
- Discourage the practice of spreading feed.
- Remove manure regularly.
- Reduce transmission through fly, bird and animal control.
- Restrict traffic on the farm - this may be aided by erecting a perimeter fence around the sheds.

If it is necessary to keep both negative and positive mink on the farm, keep them in separate sheds if possible. When handling mink, use separate gloves for negative and positive groups. Always work with negative mink first, whether feeding, vaccinating, grading or separating kits.

This Factsheet was authored by Brian Tapscott, Alternative Livestock Specialist, OMAFRA, Elora. G.K. Zellen, formerly of OMAFRA, was a co-author of the original Factsheet.

## Aleutian Disease in Mink

For more information:  
Toll Free: 1-877-424-1300  
E-mail: [ag.info.omafra@ontario.ca](mailto:ag.info.omafra@ontario.ca)