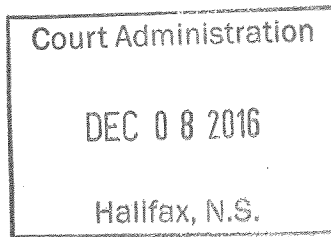


2016



Hfx. No. 454744

**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***

FOURTH REPORT OF DELOITTE RESTRUCTURING INC.,  
IN ITS CAPACITY AS MONITOR OF  
THE APPLICANTS

DECEMBER 6th, 2016

**1. INTRODUCTION AND BACKGROUND**

- 1.1 On August 31, 2016, the Supreme Court of Nova Scotia (the "Court") granted an order (the "Initial Order") under the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended (the "CCAA") granting certain relief to Victory Farms Incorporated and Jonathan Mullen Mink Ranch Limited (collectively the "Applicants").
- 1.2 As part of the Initial Order, Deloitte Restructuring Inc. ("Deloitte") was appointed as Monitor under these CCAA proceedings.
- 1.3 On September 27, 2016, the Court granted an order (the "Charging Order") granting the Applicants the power to borrow up to \$1.5 million from North American Fur Auctions Inc. ("NAFA") as debtor in possession financing ("DIP Financing").
- 1.4 On September 28, 2016, the Court granted an order (the "First Extension Order") extending the stay of proceedings from September 30, 2016 up to and including November 25, 2016.
- 1.5 On November 24, 2016, the Court granted an order (the "Second Extension Order") extending the stay of proceedings from November 25, 2016 up to and including January 31, 2017.

**2. TERMS OF REFERENCE**

- 2.1 In preparing the Fourth Report, the Monitor has relied upon financial information of the Applicants, discussions with the Applicants' management ("Management") and BoyneClarke LLP, the Applicants' legal counsel.
- 2.2 The financial information of the Applicants has not been audited, reviewed or otherwise verified by the Monitor as to its accuracy or completeness, nor has it necessarily been prepared in accordance with generally accepted accounting principles and the reader is cautioned that the Fourth Report may not disclose all significant matters about the Applicants. Additionally, none of our procedures were intended to disclose defalcations or other irregularities. Were we to perform additional procedures or to undertake an audit examination of the financial statements in accordance with generally accepted auditing standards, additional matters may have come to our attention. Accordingly, the Monitor does not express an opinion or provide any other form of assurance on the financial or other information presented herein. The Monitor may refine or alter its observations as further information is obtained or brought to its attention after the date of the Fourth Report.

- 2.3 The Monitor assumes no responsibility or liability for any loss or damage occasioned by any party as a result of the circulation, publication, reproduction or use of the Fourth Report. Any use which any party makes of the Fourth Report, or any reliance or decisions to be made on the Fourth Report, is the sole responsibility of such party.
- 2.4 All dollar amounts identified in the Fourth Report are expressed in or converted to Canadian dollars.
- 2.5 The purpose of the Fourth Report is to inform this Court on the status of:
- (i) the investigation of the Monitor into potential pre-filing payments made to Trinity Farms Incorporated ("Trinity").

### **3. PRE-FILING PAYMENTS**

- 3.1 In its Third Report dated November 21, 2016, the Monitor advised the Court regarding the arrangement between Victory Farms Inc. ("Victory") and Trinity relating to mink care. The Monitor advised the Court it required time to further investigate payments made by Victory to Trinity since the date of the Initial Order.
- 3.2 Subsequent to the Second Extension Order, the Monitor attended the offices of Victory to obtain further documentation relating to the arrangement with Trinity, perform a detailed review of the books and records of Victory and hold discussions with Management.
- 3.3 Based on the procedures performed, the Monitor wishes to the advise the Court of the following:
- (i) Victory and Trinity entered into an arrangement for the months January through September 2016 (the "First Arrangement") that stipulated Victory was to pay Trinity \$33,223 per month, inclusive of HST, for the care of mink owned by Victory.
  - (ii) During the period January 1, 2016 through to August 31, 2016, Victory paid Trinity a total of \$144,400 inclusive of HST for services provided in respect of the First Arrangement.
  - (iii) Victory filed for protection under the *Companies Creditor Arrangement Act* on August 31, 2016 (the "CCAA Filing Date"). In addition to other intercompany balances, the First Arrangement was in arrears in the amount of \$121,378 as at the CCAA Filing Date.
  - (iv) During the month of September 2016, Victory made a payment to Trinity of \$43,363 inclusive of HST for services provided during the month of September 2016, which payment exceeded by \$10,140 the stipulated payment due for services rendered that month by Trinity pursuant to the First Arrangement. The excess paid (\$10,140) thus had the effect of reducing the extent of Trinity's provable claim against Victory as at the CCAA Filing Date by that amount. As such, the Monitor has determined that \$10,140 portion of the September payment constituted a pre-filing payment, which should not have been made.
  - (v) Victory and Trinity entered into an arrangement for the months October through December, 2016 (the "Second Arrangement") that stipulates Victory was to pay Trinity \$43,363 inclusive of HST in each of those months, for the ongoing care of mink owned by Victory.

- (vi) As of November 29, 2016, Victory has made payments to Trinity pursuant to the Second Arrangement in the amount of \$86,726 inclusive of HST, representing payment for services rendered by Trinity for the months of October and November 2016.
  - (vii) The final payment pertaining to the Second Arrangement is scheduled to be made on or around December 1, 2016 in the amount of \$43,363 inclusive of HST.
- 3.4 On November 30, 2016, the Monitor provided correspondence to Jonathan Mullen, the principal of Victory, requesting that the December payment from Victory to Trinity be reduced by the sum of \$10,140 to account for the pre-filing payment discussed herein; this negates any benefit Trinity had otherwise received through its improper receipt of this sum in September 2016.
- 3.5 Subsequent to the November 30, 2016 correspondence, the Monitor has received supporting documentation from Victory that reflects the December payment to Trinity has been reduced by \$10,140.

#### **4. CONCLUSION**

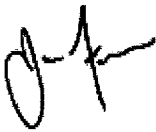
- 4.1 This Report has been prepared to provide this Court with an update regarding potential pre-filing payments to Trinity originally addressed in the Monitor's Third Report dated November 21, 2016.

All of which is respectively submitted on December 8, 2016.

#### **DELOITTE RESTRUCTURING INC.**

Acting in its capacity as  
Monitor of Victory Farms Incorporated and  
Jonathan Mullen Mink Ranch Limited  
and not in its personal capacity

Per:



**James Foran, CPA, CA, CIRP, LIT**  
Vice President