

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***

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

February 10th, 2017

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.
- 1.6 On December 8, 2016, the Monitor filed its Fourth Report with the Court. The purpose of the Fourth Report was to bring closure regarding certain payments made by the Applicants to Trinity Farms Inc. ("Trinity") initially addressed in the Monitor's Third Report dated November 21, 2016.
- 1.7 On January 30, 2017, the Court granted an order (the "Third Extension Order") extending the stay of proceedings from January 30, 2017 up to and including February 14, 2017.
- 1.8 Deloitte advises that this report (the "Sixth Report") should be read in conjunction with the Sixth Affidavit of Jonathan Mullen, which has been filed in support of the Applicants motion for a further extension of the stay of proceedings in this matter.

2. TERMS OF REFERENCE

- 2.1 In preparing the Sixth Report, the Monitor has relied upon financial information of the Applicants, discussions with the Applicants' management ("Management"), BoyneClarke LLP, the Applicants' legal counsel, and McInnes Cooper, the Monitor's 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 Sixth 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 Sixth 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 Sixth Report. Any use which any party makes of the Sixth Report, or any reliance or decisions to be made on the Sixth Report, is the sole responsibility of such party.
- 2.4 All dollar amounts identified in the Sixth Report are expressed in or converted to Canadian dollars.
- 2.5 The purpose of this Sixth Report is to inform this Court on the status of:
 - (i) the Monitor's activities since the date of the Third Extension Order;
 - (ii) the Applicants' activities since the date of the Third Extension Order;
 - (iii) a review of the Cash Flow Projection submitted as part of the Fifth Report (the "Third Extension Cash Flow Projection");
 - (iv) a revised Cash Flow Forecast of the Applicants (the "Fourth Extension Cash Flow Projection");
 - (v) the Applicants' request for an additional interim financing order (the "Second Charging Order");
 - (vi) the Applicants' request for a stalking horse and bidding procedures sales process (the "Sales Process Order");
 - (vii) the Applicants' intended request for a claims process (the "Claims Process Order"); and
 - (viii) the Applicants' request for an extension (the "Fourth Extension Order").

3. MONITOR'S ACTIVITIES

- 3.1 Since the date of the Third Extension Order, the Monitor's activities have included:
 - (i) monitoring of the Applicants' actual cash flow and reporting on a weekly basis variances to the Third Extension Cash Flow Forecast filed with the Court as part of the Applicants' Motion for the Third Extension Order;
 - (ii) working with the Applicants to request the final tranche of DIP Financing from NAFA available under the Charging Order;
 - (iii) working with the Applicants to create the Fourth Extension Cash Flow Projection further discussed herein;
 - (iv) holding discussions with Management of the Applicants, along with their legal counsel, regarding potential restructuring alternatives available to the Applicants;

- (v) holding a conference call on February 7, 2017 with the secured creditors of the Applicants, namely NAFA, American Legend Co-operative, Farm Credit Canada ("FCC") and the Nova Scotia Farm Loan Board ("NSFLB"); and
- (vi) in conjunction with McInnes Cooper, legal counsel to the Monitor, reviewing the proposed Sales Process put forward by the Applicants.

4. APPLICANTS' ACTIVITIES

- 4.1 Since the date of the Third Extension Order, Management of the Applicants has advised the Monitor that operations have continued uninterrupted.
- 4.2 Management of the Applicants continues to perform in-depth testing to determine which remaining mink will be kept as breeders and which mink will be harvested. This decision is expected to be made prior to the end of February. When completed, the Applicants expect to have approximately 80 thousand pelts available for sale in the auction.
- 4.3 The Applicants have continued to assist the Monitor with requests since the Third Extension Order, including working with the Monitor's staff to complete weekly cash flow reconciliations and providing the Monitor's staff with necessary documentation to communicate with NAFA regarding the final tranche of DIP Financing discussed herein.

5. ACTUAL CASH FLOW

- 5.1 The Monitor previously filed with the Court the Third Extension Cash Flow Projection for the 13-week period January 27 to April 21, 2017; a period of time which extended beyond the scope of the Third Extension Order.
- 5.2 The Monitor has prepared a reconciliation of the actual cash flow for the 2-week period January 27 to February 3, 2017 as compared to the Third Extension Cash Flow Projection (the "Cash Flow Reconciliation"), which is contained within Appendix A to the Sixth Report.
- 5.3 The Monitor offers the following commentary with respect to material variances contained within the Cash Flow Reconciliation:
 - (i) The favorable variance of \$19 thousand relating to feed costs is timing driven and was paid subsequent to February 3, 2017.
 - (ii) The favorable variance of \$47 thousand relating to contracted mink care is timing driven.
 - (iii) The favorable variance of \$14 thousand relating to professional fees is timing driven.
 - (iv) The favorable variance of \$163 thousand is attributable to a timing delay in the request for the final DIP advance. The Applicants received the final tranche of DIP Financing during the week of February 10, 2017.
- 5.4 As at the date of the Sixth Report, the DIP Financing has been fully advanced based on the Charging Order.

6. REVISED CASH FLOW PROJECTION

- 6.1 The Applicants have prepared the Fourth Extension Cash Flow Projection for the 13-week period spanning February 10 to May 5, 2017; which Fourth Extension Cash Flow Projection is enclosed as Appendix B to the Sixth Report.

- 6.2 The Monitor's review of the Fourth Extension Cash Flow Projection consisted of inquiries, analytical procedures and discussions on the information provided by Management of the Applicants. Since these hypothetical assumptions are not being supported, the Monitor's involvement with respect to them was limited to evaluating whether they were consistent with the purpose of the Fourth Extension Cash Flow Projection. The Monitor also reviewed the supporting documentation provided by Management of the Applicants for the probable assumptions and the preparation and presentation of the Fourth Extension Cash Flow Projection.
- 6.3 Based on our review and the foregoing reserves and limitations, nothing has come to the attention of the Monitor that causes us to believe that, in all material respects:
- (i) the hypothetical assumptions are not consistent with the purpose of the Fourth Extension Cash Flow Projection;
 - (ii) as at the date of the Sixth Report, the probable assumptions developed by the Applicants are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Fourth Extension Cash Flow Projection, given the hypothetical assumptions; or
 - (iii) the Fourth Extension Cash Flow Projection does not reflect the probable and hypothetical assumptions.
- 6.4 Since the Fourth Extension Cash Flow Projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, the Monitor does not express an opinion to whether the projections in the Fourth Extension Cash Flow Projection will be achieved.
- 6.5 The Fourth Extension Cash Flow Projection has been prepared solely for the purpose described in the notes to the Fourth Extension Cash Flow Statement, and readers are cautioned that the Fourth Extension Cash Flow Projection may not be appropriate for other purposes.
- 6.6 The Monitor has reviewed the Fourth Extension Cash Flow Projection and offers the following commentary:
- (i) Outside of HST refunds, the Applicants are not projecting to receive any operating inflows for the period covered by the Fourth Extension Cash Flow Projection. The Applicants' herd will not be available for sale until auctions scheduled to be held during the weeks of May 12 and 19, 2017.
 - (ii) Compensation costs contains payments to staff at existing rates for anticipated hours through the period covered, along with statutory remittances to Canada Revenue Agency and Workers' Compensation Board of Nova Scotia.
 - (iii) Feed costs are based on anticipated consumption levels of the herd during the period at existing feed prices, factoring in payment terms with suppliers.
 - (iv) Contracted mink care payments are based on existing arrangements the Applicants have entered into with other mink farmers to care for mink.
 - (v) Professional fees are estimates only and do not account for retainers that have been provided to the professionals involved in the engagement.
 - (vi) Pelting costs are based on the existing market prices and based on 80 thousand pelts being harvested.
 - (vii) As discussed herein, the Applicants require additional DIP Financing during the period covered by the Fourth Extension Cash Flow Projection. Without such

additional DIP Financing, the Applicants will not have sufficient resources to operate according to the Fourth Extension Cash Flow Projection.

7. INTERIM FINANCING

- 7.1 In order to address the Applicants' financing needs during the Fourth Extension Cash Flow Projection discussed herein, the Applicants are currently in the process of finalizing an additional DIP Facility with NAFA (the "DIP Lender").
- 7.2 The DIP Lender identified by the Applicants has, subject to the approval of the Court and the meeting of terms and conditions of the Term Sheet negotiated in respect of the DIP Facility, committed to provide to the Applicants an additional \$1.5 million senior secured super-priority DIP term loan.
- 7.3 The Term Sheet setting out the terms and conditions of the proposed DIP Facility is appended to this Sixth Report as Appendix C.
- 7.4 The Monitor is not presently aware of any other parties that are willing to provide the Applicants with the DIP Facility.
- 7.5 The proceeds of the proposed DIP Facility would be used to fund working capital requirements in accordance with the Applicants' Fourth Extension Cash Flow Projections in support of their restructuring efforts and would not be used to repay any indebtedness outstanding prior to the date of the Initial Order.
- 7.6 The Monitor believes that the proposed DIP Facility would assist the Applicants as they continue to operate during the 13 week period extending to May 5, 2017, as set forth in the Fourth Extension Cash Flow Projections attached to the Sixth Report as Appendix B. The DIP Facility would allow the Applicants time to run the proposed Sales Process and offer a restructuring plan to their stakeholders.
- 7.7 The proposed Second Charging Order filed on the motion provides for a charge to secure payment to the DIP Lender of amounts owing under the DIP Facility (the "DIP Lender's Charge").
- 7.8 The Monitor is of the opinion that the DIP Lender's Charge is required to support the Applicants' restructuring efforts in the immediate term, to and including May 5, 2017, and the terms of the DIP Facility are considered reasonable by the Monitor as a means of facilitating the restructuring of the Applicants.

8. STALKING HORSE SALES PROCESS

- 8.1 The Monitor has been advised by the Applicants that they intend to seek a Sales Process Order from the Court on February 14, 2017. In anticipation of the receipt of the Sales Process Order, the Applicants and NAFA have entered into an Asset Purchase Agreement (the "APA"), a copy of which is enclosed as Appendix D to the Sixth Report.
- 8.2 The transaction contemplated in the APA would see the Applicants agreeing to sell, assign and transfer to NAFA (or its nominee) all of their assets, property and undertakings (the "Purchased Assets"), subject to the terms and conditions outlined in the agreement (the "Stalking Horse Bid").

- 8.3 The Monitor understands that under the terms of the APA, the Purchased Assets would include the following:
- (i) Equipment;
 - (ii) Goodwill;
 - (iii) Real Property;
 - (iv) Any rights to AgriStability payments;
 - (v) Live mink and mink pelts;
 - (vi) Inventory; and
 - (vii) All rights and interest under or pursuant to all warranties, representations and guarantees expressed, implied or otherwise of or made by suppliers or others in connection with the Equipment and Inventory.
- 8.4 Assets excluded under the proposed terms of the APA include all assets subject to a purchase money security interest charge (the "PMSI Charge"). The APA allows for NAFA (or its nominee) to elect to retain assets subject to the PMSI Charge, subject to reaching agreement with the holders of such PMSI Charges.
- 8.5 The Monitor understands that with exception of liabilities relating to mortgages of real property set out in Schedule D of the APA and those security interests, charges or other restrictions provided for in the Approval and Vesting Order, the Purchaser shall not, by this Agreement, be deemed to have accepted or assumed any obligation or responsibility for payment of any debt, obligation, liability, claim, or demand of whatsoever nature of or against the Applicants arising before or after the closing date.
- 8.6 The purchase price under the APA is \$4 million. As additional consideration NAFA will make payment of those sums due to lenders holding security over the Applicants' real property. The purchase price will be paid to the Monitor upon closing, to be held subject to a future distribution or other directive Court Order. The payments due to lenders holding security over the Applicants' real property will be made directly to those lenders in cash, or by assumption of the debt.
- 8.7 In the interest of maximizing the value for all the stakeholders of the Applicants, the Applicants and NAFA have determined and agreed that (i) the APA is subject to higher or better offers being obtained pursuant to the Sales Process Order; and (ii) the APA shall serve as the Stalking Horse Bid. Subject to the approval of this Court, the sales process shall be conducted pursuant to the Sales Process Order and will be coordinated by the Applicants' legal counsel and the Monitor. A copy of the Sale Process Order is attached as Appendix E to the Sixth Report.
- 8.8 As part of the Sales Process Order, the Monitor intends to advertise the Purchased Assets of the Applicants for sale in the following format:
- (i) advertising the opportunity to acquire the Purchased Assets, complete with confirmation of the Bid Deadline, as defined in the Sales Process Order, in the Chronicle Herald (Provincial Edition) once weekly for three consecutive weeks;
 - (ii) advertising the opportunity to acquire the Purchased Assets, complete with confirmation of the Bid Deadline, as defined in the Sales Process Order, in each of the

Yarmouth Vanguard and on-line edition of the Digby Courier, once weekly for three consecutive weeks;

- (iii) advertising the opportunity to acquire the Purchased Assets, complete with confirmation of the Bid Deadline, as defined in the Sales Process Order, in the Insolvency Insider for three consecutive weeks;
- (iv) advertising the opportunity to acquire the Purchased Assets, complete with confirmation of the Bid Deadline, as defined in the Sales Process Order, on the Monitor's website up to and including the aforesaid Bid Deadline; and
- (v) identifying applicable industry group websites, contacts within the fur farming industry, and other individuals and groups to whom targeted information circulars will be sent.

8.9 A bid submitted pursuant to the Sales Process will be considered a qualified bid ("Qualified Bid") only if it is submitted by a Qualified Bidder (as outlined above) and includes:

- (i) a cash purchase price equal to or greater than \$4 million;
- (ii) an acknowledgement that the sale is subject to the permitted encumbrances;
- (iii) a letter stating that the bidder's offer is irrevocable until the first business day after the Purchased Assets have been sold pursuant to the closing of the sale or sales thereof approved by the Court;
- (iv) an executed copy of a proposed purchase agreement and a blackline of the Qualified Bidder's proposed purchase agreement reflecting variations from the APA. All Qualified Bids must provide: (a) a commitment to close within five (5) business days after satisfaction of all conditions and a covenant to use commercial best efforts to satisfy all conditions; and (b) the identity of and contact information for the bidder and full disclosure of any affiliates and any debt or equity financing sources involved in such bid;
- (v) a cash deposit in the amount of \$400,000 in the form of a wire transfer, certified cheque or such other form acceptable to the Monitor (the "Bid Deposit"), which shall be placed in an escrow account (the "Escrow Account"). The Escrow Account shall not be subject to any Liens whatsoever of the Applicants' creditors or otherwise, and funds shall be disbursed from the Escrow Account only as follows: (i) if the Qualified Bidder is the successful bidder at the Auction, its Bid Deposit will be applied to the purchase price payable by it under its bid on the closing thereof, and (ii) if the Qualified Bidder is not the successful bidder at the Auction, then its Bid Deposit shall be returned to it (subject to the other provisions of these Bidding Procedures and the terms of its asset purchase agreement with the Monitor);
- (vi) a representation of the bidder and written evidence that the bidder has a commitment for financing or other evidence of the proposed purchaser's ability to consummate the proposed transaction, including executed copies of any financing agreements, commitments, guarantees of the payment obligations of the proposed purchaser, and which the Monitor, in consultation with the Applicants and the secured creditors, believes to be sufficient to satisfy the bidder's obligations under its proposed bid, including to consummate the transaction contemplated by the proposed agreement submitted by it as provided above;
- (vii) a representation of the bidder and written evidence that the bidder has entered into an agreement with NSFLB and FCC to assume the debt secured by the mortgages of real

property which form part of the permitted encumbrances, should the bidder be the successful bidder;

- (viii) the bid shall identify with particularity those executory contracts and unexpired leases of the Applicants with respect to which the bidder seeks to receive an assignment;
- (ix) the bid shall not request or entitle the bidder to any transaction or break up fee, expense reimbursement, termination or similar type of fee or payment and shall include an acknowledgement and representation of the bidder that it has had an opportunity to conduct any and all due diligence regarding the Purchased Assets prior to making its offer, that it has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Purchased Assets in making its bid, and that it did not rely upon any written or oral statements, representations, warranties, or guarantees, express, implied, statutory or otherwise, regarding the Purchased Assets, title to same, the financial performance of the Purchased Assets, the fitness for use of or the physical condition of the Purchased Assets, or the completeness of any information provided in connection therewith or the Auction, except as expressly stated in these Bidding Procedures or the Stalking Horse Asset Purchase Agreement;
- (x) the bid shall not contain any due diligence, financing or regulatory contingencies of any kind other than those contained in APA, though the bid may be subject to the satisfaction of other specific conditions in all material respects at the Closing Date (defined below);
- (xi) the bid shall fully disclose the identity of each entity that will be bidding for the Purchased Assets or otherwise participating in connection with such bid, and the complete terms of any such participation;
- (xii) the bid shall state that the offering party consents to the jurisdiction of the Court;
- (xiii) the bid shall include evidence of authorization and approval from the bidder's board of directors (or comparable governing body) with respect to the submission, execution, delivery and closing of the submitted purchase agreement of the bidder;
- (xiv) the bid shall state that the offering party has not acted and will not act in collusion with any other undisclosed party or entity in connection with its bid; and
- (xv) the bid shall identify with particularity any liabilities being assumed.

- 8.10 If the Sales Process produces one or more Qualified Bids in addition to the Stalking Horse Bid in advance of the Bid Deadline, the Monitor will conduct an auction of the Purchased Assets. The auction shall be conducted at a location selected by the Monitor at 11:00am on March 17, 2017. If no Qualified Bids are received by the Bid Deadline, the Monitor will cancel the auction.
- 8.11 In order to successfully overbid the Stalking Horse Bid, a Qualified Bidder must bid at least \$100 thousand over and above the Stalking Horse Bid. At the auction, all subsequent bids shall not be less than \$50 thousand in excess of the preceding bid, unless modified by the Monitor. In the Monitor's view, the Sales Process outlined above and in detail within the Sales Process Order is commercially reasonable, given the sensitive nature of the assets being sold. This process will also provide an opportunity for a result that may be more favourable to the stakeholders of the Applicants than the transaction contemplated by the APA.
- 8.12 Furthermore, the Sales Process Order presents the Applicants with an opportunity to continue as a going concern if a sale transaction is completed with the Stalking Horse Bid or another Qualified Bid.

9. CLAIMS PROCESS

- 9.1 The Monitor has been advised by legal counsel to the Applicants that as part of the Sales Process Order described herein, the Applicants intend to seek an order from the Court at some date in the future to determine the magnitude and priority of claims against the Applicants (the "Claims Process Order").
- 9.2 The Monitor considers the intended Claims Process Order to be essential to the determination of the validity, priority and quantum of the claims of the various creditors of the Applicants.

10. STAY EXTENSION APPLICATION

- 10.1 The Monitor has been advised by the Applicants that they intend to seek the Fourth Extension Order from the Court on February 14, 2017.
- 10.2 Based on the Monitor's dealing with Management of the Applicants and the Monitor's review of the Applicants' operations and restructuring efforts to date, it can advise:
- (i) that the Applicants have acted and continue to act in good faith;
 - (ii) that the Applicants have acted and continue to act with due diligence, and;
 - (iii) in the Monitor's opinion, circumstances exist that make the Fourth Extension Order appropriate.
- 10.3 The Monitor believes that an extension up to and including May 5, 2017 will provide the Applicants with adequate time to implement the Sales Process Order described herein and would enable the Applicants, together with the Monitor, to undertake the Claims Process pursuant to the intended Claims Process Order.
- 10.4 The Monitor is of the opinion that no creditor would be materially prejudiced by the Court granting the Fourth Extension Order as requested by the Applicants.
- 10.5 In the absence of the Fourth Extension Order being granted, the Applicants will not be in a position to file a Plan of Arrangement on or before February 17, 2017. The Monitor has prepared a realization schedule in the event of a liquidation, and based on the quantum of secured debt owing by the Applicants against the expected asset realizations, has determined that secured creditors would be faced with a compromise of their respective claims of their respective debts and there would be no distribution available to the Applicants' unsecured creditors.

11. CONCLUSION

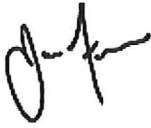
- 11.1 This Report has been prepared to provide this Court with information regarding the Monitor's activities since the date of the Fifth Report, the Applicants' activities since the date of the Third Extension Order, a review of the Third Extension Cash Flow Projection submitted as part of the Third Extension Order, a Fourth Extension Cash Flow Projection, the Applicants' request for the Second Charging Order, the Applicants' request for the Sales Process Order, the Applicants' intent to seek a Claims Process Order, and the Applicants' request for the Fourth Extension Order.

All of which is respectively submitted on February 10, 2017.

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:

A handwritten signature in black ink, appearing to read 'J. Foran', with a stylized flourish at the end.

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

Appendix A: Cash Flow Reconciliation

Victory Farms Incorporated and Jonathan Mullen Mink Ranch Limited
Cash Flow Reconciliation
For the period January 21, 2017 to February 3, 2017

	Cumulative		
	Projected	Actual	Variance
Opening cash	89,634	89,634	-
Operating inflows			
Other	-	-	-
HST	-	-	-
Total inflows	-	-	-
Operating outflows			
Compensation	31,722	38,696	(6,973)
Feed costs	39,475	20,000	19,475
Contracted mink care	54,084	7,000	47,084
Operating expenses	13,526	3,899	9,627
Professional fees	14,000	-	14,000
Repairs and maintenance	3,563	-	3,563
Pelting Costs	-	-	-
DIP Interest	-	-	-
HST	13,000	11,281	1,719
Total outflows	169,370	80,876	88,494
Operating cash flow	(169,370)	(80,876)	(88,494)
Cash position (before DIP)	(79,736)	8,758	86,188
DIP funding	163,000	-	(163,000)
Closing cash position (after DIP)	83,264	8,758	(76,812)

Appendix B: Fourth Extension Cash Flow Projection

IN THE MATTER OF
THE COMPANIES CREDITOR ARRANGEMENT ACT,
and
IN THE MATTER OF
THE COMPROMISE OR ARRANGEMENT OF THE APPLICANTS,
VICTORY FARMS INCORPORATED AND JONATHAN MULLEN MINK RANCH
LIMITED

The management of Victory Farms Incorporated and Jonathan Mullen Mink Ranch Limited have developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 9th day of February, 2017, consisting of weekly projections for the period February 4th to May 5th, 2017.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in Note A, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions are disclosed in Note B.

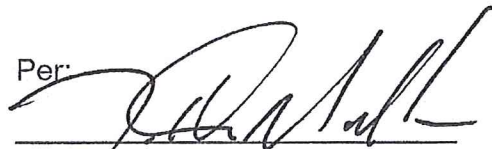
Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared by Victory Farms Incorporated and Jonathan Mullen Mink Ranch Limited solely for the purpose described in Note A, using a set of hypothetical and probable assumptions set out in Note B.

Dated at Digby, Nova Scotia this 9th day of February, 2017.

Victory Farms Incorporated
Jonathan Mullen Mink Ranch Limited

Per:

A handwritten signature in black ink, appearing to read 'J. Mullen', is written over a horizontal line.

Jonathan Mullen
President

VICTORY FARMS INCORPORATED AND JONATHAN MULLEN MINK RANCH
LIMITED

ASSUMPTIONS TO THE CASH FLOW PROJECTIONS

FOR THE PERIOD FEBRUARY 4 TO MAY 5, 2017

Note A: The statement of projected cash flow is being filed pursuant to the *Companies Creditor Arrangement Act* using the hypothetical assumptions set out in Note B.

Note B: Opening cash balance reflects the estimated cash contained within the Applicant's account at RBC.

HST refunds and expenditures relate to ITCs and HST payables claimed by the Applicants and are assumed to be received/paid under normal filing cycles during the period covered by the projections.

Compensation expense is based on current head count levels and management's estimate of future needs during the period covered by the projections.

Feed costs are based on management's estimate using the size of the herd, current feed prices and expected feeding requirements during the period covered by the projections.

Contracted mink care expenses have been estimated using underlying contracts the Applicant entered into with third parties to grow mink during the 2016 season. 2017 contracts are still being negotiated with third parties, however, material variances to prior year contracts are not expected.

Operating expenses are based on historical amounts.

Professional fees are based on estimates provided by the various professional firms involved.

Repairs and maintenance expenses are based on historical averages and are management's best estimates of amounts required during the period covered by the projections.

DIP funding is based on an estimate of available funds provided by the DIP Lender factoring in interest charges applied to the balance.



The attached statement of projected cash flow of Victory Farms Incorporated and Jonathan Mullen Mink Ranch Limited, as of the 9th day of February, 2017 consisting of weekly projections for the period February 10th to May 5th, 2017, has been prepared by the management of the insolvent debtor for the purpose described in Note A, using the probable and hypothetical assumptions set out in Note B.

Our review consisted of inquiries, analytical procedures and discussions related to information supplied to us by the management and employees of the insolvent debtor. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by management for the probable assumptions and preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects,

- a) the hypothetical assumptions are not consistent with the purpose of the projection;
- b) as at the date of this report, the probable assumptions developed are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or
- c) the projection does not reflect the probable and hypothetical assumptions.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in Note A, and readers are cautioned that it may not be appropriate for other purposes.

Dated at Halifax, Nova Scotia this 9th day of February, 2017.

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

Victory Farms Incorporated and Jonathan Mullen Mink Ranch Limited (Combined)
 Fourth Extension Cash Flow Projection
 For the period February 4 to May 5, 2017

Week	1	2	3	4	5	6	7	8	9	10	11	12	13	Total
Date (MM/DD/YYYY)	2/10/2017	2/17/2017	2/24/2017	3/3/2017	3/10/2017	3/17/2017	3/24/2017	3/31/2017	4/7/2017	4/14/2017	4/21/2017	4/28/2017	5/5/2017	
Opening cash	8,758	69,053	124,295	5,118	36,285	5,615	166,258	135,387	52,410	38,188	66,132	84,272	9,422	8,756
Operating inflows	-	40,000	-	-	-	30,000	-	-	-	80,979	-	-	-	150,979
HST	-	40,000	-	-	-	30,000	-	-	-	80,979	-	-	-	150,979
Total inflows	-	80,000	-	-	-	60,000	-	-	-	161,958	-	-	-	301,958
Operating outflows	11,553	21,652	11,553	29,864	14,247	26,937	13,136	29,778	13,347	10,684	21,352	10,684	24,694	239,481
Compensation	32,852	16,067	16,067	16,067	16,067	15,062	15,062	15,062	15,062	20,083	20,083	20,083	20,083	237,700
Feed costs	42,084	-	84,000	118,545	-	-	-	83,545	83,545	-	-	-	83,545	411,719
Contracted milk care	11,517	1,443	6,558	1,358	1,358	1,358	1,673	12,138	1,268	1,268	1,268	23,083	1,268	65,552
Operating expenses	25,000	32,500	-	50,000	-	25,000	-	25,000	-	20,000	-	20,000	-	197,500
Professional fees	4,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	16,000
Repairs and maintenance	-	312,096	-	-	-	-	-	-	-	-	82,336	-	-	394,433
Pelting Costs	-	-	-	-	-	-	-	-	-	-	5,821	-	-	5,821
HST	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total outflows	127,005	384,757	119,177	218,833	32,871	69,356	30,871	82,978	114,222	53,035	131,860	74,850	130,590	1,568,205
Operating cash flow	(127,005)	(344,757)	(119,177)	(218,833)	(32,871)	(39,356)	(30,871)	(82,978)	(114,222)	27,944	(131,860)	(74,850)	(130,590)	(1,417,225)
Cash position (before DIP)	(118,247)	(275,705)	5,118	(211,715)	5,615	(33,742)	135,387	52,410	(61,812)	66,132	(65,728)	9,422	(121,167)	(1,408,467)
DIP Financing	187,300	400,000	-	250,000	-	200,000	-	-	100,000	-	150,000	-	125,000	1,412,300
Cash position (after DIP)	69,053	124,295	5,118	36,285	5,615	166,258	135,387	52,410	38,188	66,132	84,272	9,422	3,833	3,833

Appendix C: DIP Facility Term Sheet

2nd Interim Financing Term Sheet

Dated as of February 9, 2017

WHEREAS the Borrower (as defined below) has requested that the Interim Lender (as defined below) provide additional financing to fund certain of the Borrower's obligations during the Borrower's proceedings (the "**CCAA Proceedings**") under the *Companies' Creditors Arrangement Act* (the "**CCAA**"), before the Nova Scotia Supreme Court (the "**Court**") and in accordance with the terms and conditions set out herein;

AND WHEREAS on September 7, 2016, the Interim Lender issued a Financing Term Sheet ("the First Term Sheet") which was agreed to by the Borrower and approved by Order of the Supreme Court of Nova Scotia on September 27, 2016;

AND WHEREAS the Borrower has fully drawn down and the Interim Lender has fully advanced those funds provided for in the First Term Sheet, and requires additional financing;

AND WHEREAS, the Interim Lender has agreed to provide additional financing in order to fund ongoing obligations of the Borrower in the context of its CCAA Proceedings in accordance with the terms set out herein;

NOW THEREFORE, the parties, in consideration of the foregoing and the mutual agreements contained herein, the receipt and sufficiency of which are hereby acknowledged, agree as follows:

Borrower: Victory Farms Incorporated and Jonathan Mullen Mink Ranch Limited ("Borrower")

Interim Lender: North American Fur Auctions Inc. (the "Interim Lender")

Facility: **Demand Revolving Loan** ("DRL") Facility in the maximum amount of \$3,000,000.00 (or US\$ equivalent) [to include \$1,500,000 previously advanced pursuant to the First Term Sheet]. The DRL will be drawn and advanced in tranches for amounts requested by the Borrower and approved by the Monitor. Amounts outstanding under the DRL shall bear interest at twelve per cent (12%) per annum payable monthly on the last day of each month during which any portion of the DRL remains outstanding.

Purpose: To provide Debtor in Possession funding ("DIP Financing") and provide working capital financing, as evidenced in Borrower's cash flow projections provided to the Interim Lender.

Term: Twelve (12) months, creditor approval of a plan of arrangement, date of bankruptcy, or date of abandonment of CCRA proceedings, whichever shall be the sooner.

The DRL Facility herein can be repaid in full, without penalty at any time, provided that a 30-day prior written notice is given to the Interim Lender.

Repayment: Expiry of the term.

Fees: An additional Work fee and due diligence fee (over and above that provided for in the First Term Sheet) of \$10,000.00 non-refundable, payable on granting of the Order approving the additional DIP Loan and the DIP Charge.

Covenants: Borrower agrees:

1. To pay all sums of money due under this agreement on demand;
2. Not to change its name or merge, amalgamate or consolidate with any other corporation without the prior written consent of the Interim Lender;
3. Not to make any capital expenditures, acquisitions or incur any debt outside of Court approved cash flows, without prior written consent of the Interim Lender;
4. To give the Interim Lender prompt notice of any Event of Default or any event which with notice or lapse of time or both would constitute an Event of Default;
5. Not to make any payments to any shareholder or director of the Borrower without the prior consent of the Interim Lender; and
6. Not to seek or support the granting of any Order which provides for a security interest in any of the assets of the Borrower ranking in priority to that in favour of the Interim Lender, other than the Admin Charge described below.

Conditions: The obligation of the Interim Lender to make the Facility available shall be subject to and conditional upon each of the following:

- Borrower shall have obtained an Order (the "Additional DIP Order") of the Supreme Court that provides for *inter alia*:
 - The creation of an additional Interim Lender DIP Charge on terms satisfactory to the Interim Lender;
 - A continuance of the stay of proceedings pursuant to the provisions of the CCAA;
 - The ongoing communication, regarding the Borrower and the CCAA process, of information by the Monitor to the Interim Lender;

- The Initial Order and the DIP Order shall not have been stayed, vacated or otherwise caused to be ineffective or amended, restated or modified in a way that adversely impacts the rights and interests of the Interim Lender;
- The Interim Lender and its advisors shall be provided with and the Interim Lender shall be satisfied with Borrower's proposed and future cash flow projections (as the same may be amended in form and substance satisfactory to the Interim Lender (the "Cash Flow"));
- Borrower shall be in compliance with the Initial Order, the DIP Order, the additional DIP Order, and any amendments thereto and the Borrower's operating results shall substantially comply with the Cash Flow;
The Interim Lender's security interest under the Order ranking first over the livestock (mink) of the debtor, including breeding stock, the pelts derived therefrom, and the proceeds thereof, but subject to an Admin charge as provided in the Initial Order not exceeding \$150,000;
- Borrower agrees to furnish all assistance and information, to perform such acts as the Interim Lender reasonably requests, and to grant to the Interim Lender or its authorized agents, not acting unreasonably, access to Borrower's premises and to all places where assets may be located, during normal business hours, to verify the accounts receivable, inventory and fixed assets and the general condition of the business of the Borrower; and
- The Interim Lender to be provided with any other reporting reasonably requested.

Reporting:

Monthly within 30 days of month end

The Borrower shall provide to the Interim Lender, on a monthly basis, within 15 days of the end of each month:

1. Bank statements of Borrower;
2. Summary Report on health of mink crop;
3. Evidence of payment of government remittances (i.e.: employee source deductions, HST, etc.);
4. Internally prepared financial statements comprising balance sheet and income statement for Borrower.

Annually within 60 days of fiscal year

The Borrower shall provide to the Interim Lender, within 60 days of the Borrower's fiscal year accountant prepared financial statements of the Borrower.

Expenses:

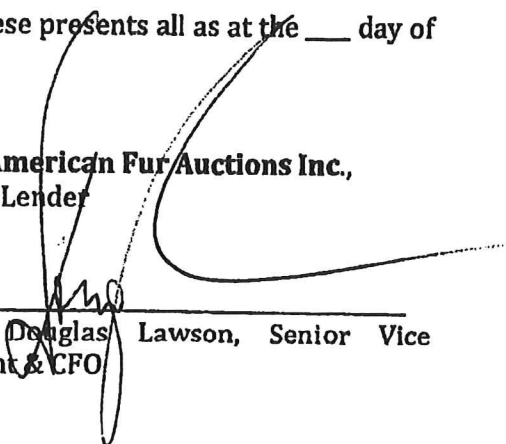
All reasonable costs incurred by the Interim Lender including legal fees, professional fees, search and registration fees, etc in implementing or attempting to implement this Facility, any ongoing charges incurred in maintaining or reviewing this Facility or the security requirements of the Interim Lender, plus any costs of collection, enforcement, realization and / or subsequent discharges, are for the account of Borrower. Such costs shall bear interest at the rate set out above, from the date on which they are incurred by the Interim Lender.

This Agreement may be signed in counterparts and each of such counterparts shall constitute an original document and all of which counterparts taken together shall constitute one and the same agreement.

Copies of this Agreement provided by facsimile transmission or email transmission shall be conclusively deemed to have been executed and delivered and shall be binding on the party delivering such copy.

In witness whereof the parties hereto have executed these presents all as at the ___ day of February, 2017.

North American Fur Auctions Inc.,
Interim Lender
Per:



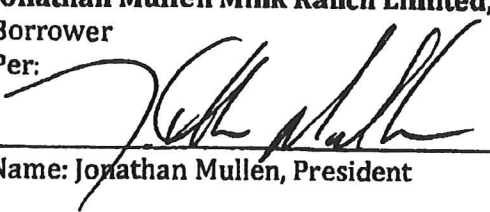
Name: Douglas Lawson, Senior Vice
President & CFO

Victory Farms Incorporated, Borrower
Per:



Name: Jonathan Mullen, President

Jonathan Mullen Mink Ranch Limited,
Borrower
Per:



Name: Jonathan Mullen, President

Appendix D: Asset Purchase Agreement

ASSET PURCHASE AGREEMENT

THIS STALKING HORSE ASSET PURCHASE AGREEMENT made as of the ___ day of February, 2017.

BETWEEN:

VICTORY FARMS INCORPORATED and JONATHAN MULLEN MINK RANCH LIMITED
(collectively the "Vendors")

- and -

NORTH AMERICAN FUR AUCTIONS INC.
(the "Purchaser")

WHEREAS:

- A. The Vendors carry on the business of mink farming ("the Business") and own assets in connection with the Business;
- B. The Vendors have made application for, and been granted, relief under the *Companies' Creditors Arrangement Act* in proceedings commenced and continuing in the Supreme Court of Nova Scotia ("the Court") in Hfx. # 454744 (the "CCA Proceedings");
- C. The Vendors have agreed to sell to the Purchaser and the Purchaser has agreed to purchase from the Vendors substantially all of the assets, property and undertaking of and pertaining to the Business, upon the terms and conditions of this Agreement; and
- D. The Vendors have agreed to make application to the Court for a Stalking Horse and Bidding Procedures Order ("the Bidding Procedures Order") substantially in accord with that attached as Schedule "A" hereto;

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the respective covenants, agreements, representations, warranties and indemnities of the parties herein contained and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged by each party), the parties agree as follows.

INTERPRETATION

1.1 Defined Terms

Wherever used in this Agreement, unless the context otherwise requires, the following words and terms will have the indicated meanings and grammatical variations of such words and terms will have corresponding meanings:

- (a) "**Agreement**" means this Stalking Horse Asset Purchase Agreement and all Schedules attached to and forming part hereof, all schedules incorporated by reference, and all amendments made hereto by written agreement among the parties and approved by the Monitor;

- (b) "**AgriStability Payments**" means payments due to the Vendors, or either of them, pursuant to the AgriStability Program administered by Agriculture and Agri-Food Canada;
- (c) "**Approval and Vesting Order**" means that sale approval and vesting order contemplated in the Bidding Procedures Order;
- (d) "**Business Day**" means any day, other than a Saturday or a Sunday, or statutory holiday in Nova Scotia;
- (e) "**Business Records**" means all books, records and files, whether electronic, digital, paper or otherwise, with respect to the Business;
- (f) "**CCAA**" means the *Companies' Creditors Arrangement Act*
- (g) "**Closing**" means completion of the purchase and sale of the Purchased Assets contemplated by this Agreement, the Bidding Procedures Order and the Approval and Vesting Order;
- (h) "**Closing Date**" means any date within five (5) business days after satisfaction of all the conditions precedent herein, which shall include the grant by the Court of an Approval and Vesting Order;
- (i) "**Confidential Information**" has the meaning as set out in Section 1.40;
- (j) "**Disclosing Party**" has the meaning as set out in Section 1.40;
- (k) "**Due Diligence Date**" means 10 Business Days after the granting of the Bidding Procedures Order;
- (l) "**Employees**" means the people currently employed in connection with the Business, as more particularly described in Schedule "B" attached hereto;
- (m) "**Encumbrance**" means any encumbrance, lien, charge, hypothec, pledge, mortgage, title retention agreement, security interest of any nature, adverse claim, exception, reservation, easement, right of occupation, any matter capable of registration against title, option, right of pre-emption, privilege or any agreement to create any of the foregoing;
- (n) "**Equipment**" means all the equipment, machinery and tangible personal property used in connection with the Business (including for the purpose of certainty, all cages and attachments thereto), but does not include any equipment, machinery and personal property that are Excluded Assets;
- (o) "**ETA**" means Part IX of the *Excise Tax Act* (Canada), as amended from time to time;
- (p) "**Excluded Assets**" means those assets listed in Schedule "E" hereto;
- (q) "**Financial Statements**" means the financial statements for Victory and JMMR for their fiscal years ending in 2016;

- (r) **"Goodwill"** means all goodwill of the Business, business or trade names for the Business, telephone numbers and other communication numbers and addresses of the Business, supplier contracts, Business Records and other items incidental to the Business;
- (s) **"Governmental Charges"** has the meaning as set out in Section 1.25;
- (t) **"HST"** means all taxes payable under the ETA or under any provincial legislation similar to the ETA, and any reference to a specific provision of the ETA or any such provincial legislation shall refer to any successor provision thereto of like or similar effect;
- (u) **"Inventory"** means the all of the inventory of the Business and, without limiting the generality of the foregoing, includes all live mink and mink pelts, wheresoever situate;
- (v) **"JMMR"** means Jonathan Mullen Mink Ranch Limited;
- (w) **"Leased Equipment"** means equipment subject to a perfected purchase money security instrument;
- (x) **"Licences"** means all licences, permits, approval, consents, certificates, registrations, authorizations (whether governmental regulatory or otherwise) held by or granted to the Vendors in connection with the Business;
- (y) **"Monitor"** means Deloitte Restructuring Inc.
- (z) **"Permitted Encumbrances"** means the mortgages of real property referred to in Schedule "D";
- (aa) **"Premises"** means the lands described in Schedule "D", and the buildings and structures on the said lands;
- (bb) **"Purchase Price"** has the meaning as set out in Section 1.16;
- (cc) **"Purchased Assets"** means the properties, assets, interests and rights of the Vendors constituting the Business or used therein that are listed below and that are not Excluded Assets:
 - (i) the Equipment;
 - (ii) the Goodwill;
 - (iii) the Real Property;
 - (iv) Any rights to AgriStability payments;
 - (v) Live mink and mink pelts;
 - (vi) Inventory; and
 - (vii) all rights and interest under or pursuant to all warranties, representations

and guarantees expressed, implied or otherwise of or made by suppliers or others in connection with the Equipment and Inventory;

- (dd) "**Purchaser**" has the meaning given to it on the first page of this Agreement;
- (ee) "**Purchaser's Solicitors**" means BURCHELL MACDOUGALL, of Truro, Nova Scotia, solicitors for the Purchaser;
- (ff) "**Real Property**" means the real property described in Schedule "D"
- (gg) "**Tax Act**" means the *Income Tax Act* (Canada), as amended from time to time;
- (hh) "**Vendors**" has the meaning given to it on the first page of this Agreement;
- (ii) "**Vendors' Solicitor**" means BOYNECLARKE LLP, of Dartmouth, Nova Scotia, solicitor for the Vendors;
- (jj) "**Victory**" means Victory Farms Incorporated.

1.2 Currency

Unless otherwise indicated, all dollar amounts in this Agreement are expressed in Canadian funds.

1.3 Sections and Headings

The division of this Agreement into Articles, Sections and Paragraphs and the insertion of headings are for convenience of reference only and shall not affect the interpretation of this Agreement or any provision hereof. Unless otherwise indicated, any reference in this Agreement to an Article, Section, Paragraph or Schedule refers to the specified Article, Section or Paragraph of, or Schedule to, this Agreement. The terms "this Agreement", "hereof", "hereunder", and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof and include any agreement supplemental hereto.

1.4 Number, Gender and Persons

In this Agreement, words importing the singular number only shall include the plural and vice versa, words importing gender shall include all genders and words importing persons shall include individuals, corporations, partnerships, associations, trusts, unincorporated organizations, governmental bodies and other legal or business entities of any kind whatsoever.

1.5 Entire Agreement

This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether written or oral. There are no conditions, covenants, agreements, representations, warranties or other provisions, express or implied, collateral, statutory or otherwise, relating to the subject matter hereof except as herein provided.

1.6 Bidding Procedures Order

The provisions of the Bidding Procedures Order, including the Bidding Procedures attached as Schedule "A" thereto, shall be incorporated into this Agreement and apply, *mutatis mutandis*, as the circumstances require.

1.7 Time of Essence

Time shall be of the essence of this Agreement.

1.8 Applicable Law

This Agreement shall be construed, interpreted and enforced in accordance with, and the respective rights and obligations of the parties shall be governed by, the laws of the Province of Nova Scotia and the federal laws of Canada applicable therein, and the parties hereby irrevocably attorn to the jurisdiction of the Courts of the Province of Nova Scotia in respect of all matters and actions arising under this Agreement.

1.9 Successors and Assigns

This Agreement shall enure to the benefit of and shall be binding on the parties hereto, their respective heirs, executors, legal personal representatives, successors and permitted assigns, as the case may be. The Purchaser may assign any of its rights or obligations hereunder without the prior written consent of the Vendors. This right is exclusive to the Purchaser hereunder, and for the purposes of clarity, no Qualified Bidder (as such is defined in the Bidding Procedures Order) may assign any of its rights or obligations as a Qualified Bidder without the prior written consent of the Vendors and the Monitor.

1.10 Severability

If any provision of this Agreement is determined by a court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, any party may elect to terminate this Agreement, or alternatively the parties may jointly elect to sever that illegal or unenforceable provision from the body hereof.

1.11 Amendments and Waivers

No amendment or waiver of any provision of this Agreement shall be binding on any party unless provided for by virtue of the terms of the Bidding Procedures Order and consented to in writing by such party and the Monitor. No waiver of any provision of this Agreement shall constitute a waiver of any other provision nor shall any waiver constitute a continuing waiver unless otherwise provided.

1.12 Schedules

The following Schedules are attached to or incorporated by reference and form part of this Agreement:

Schedule "A"	Bidding Procedures Order
Schedule "B"	Employees
Schedule "C"	Equipment
Schedule "D"	Real Property with Permitted Encumbrances
Schedule "E"	Excluded Assets
Schedule "F"	Allocation of Purchase Price

PURCHASE AND SALE OF ASSETS

1.13 Agreement to Sell and Purchase

The Vendors agree to sell, assign and transfer to the Purchaser and the Purchaser agrees to take and purchase as at the Closing Date, the Purchased Assets, subject to the terms and conditions of this Agreement.

1.14 Excluded Assets

There shall be specifically excluded from the assets being purchased and sold hereunder, all of the assets of the Vendors, whether associated with the Business or not, that are not Purchased Assets (the "Excluded Assets") as described in Schedule "E" hereto.

1.15 Liabilities

With the exception of the monies due under the mortgages of real property set out in Schedule "D" hereto, and those security interests, charges or other restrictions provided for in the Approval and Vesting Order, the Purchaser shall not, by this Agreement, be deemed to have accepted or assumed any obligation or responsibility for payment of any debt, obligation, liability, claim, or demand of whatsoever nature of or against the Vendors arising before or after the Closing Date.

PURCHASE PRICE

1.16 Purchase Price

The purchase price payable by the Purchaser to the Vendors for the Purchased Assets (the "Purchase Price") is the sum of Four Million Dollars (\$4,000,000). As further consideration, before Closing, the Purchaser shall pay to the lenders the sums due to them that are secured by the Permitted Encumbrances or, in the alternative, assume payment of those sums on such terms and conditions as may be agreed to by the lenders and the Purchaser.

1.17 Allocation of Purchase Price

The Purchase Price shall be allocated in accordance with the provisions of Schedule "F". The Vendors and the Purchaser agree to report the purchase and sale of the Purchased Assets in any returns required to be filed under the Tax Act and other taxation statutes in accordance with the provisions of Schedule "F".

1.18 Payment of Purchase Price

The Purchase Price shall be paid by the Purchaser at the Closing by certified cheque or trust cheque to the Monitor.

1.19 Harmonized Sales Tax Election

Each of the Vendors and the Purchaser shall, on or before the Closing Date jointly execute elections, in prescribed form and containing the prescribed information, to have s.167.1 of the ETA apply to the sale and purchase of the Purchased Assets so that no HST will be payable. The Purchaser shall file the election with Canada Revenue Agency and provide the Vendors with written confirmation of same.

REPRESENTATIONS AND WARRANTIES OF THE VENDORS

The Vendors jointly and severally represent and warrant to the Purchaser as follows and acknowledge that the Purchaser is relying on such representations and warranties in connection with the purchase of the Purchased Assets by the Purchaser:

1.20 Corporate Authority and Binding Obligation

Subject to the terms of the Bidding Procedures Order, the Vendors have good right, full corporate power and absolute authority to enter into this Agreement and to sell, assign and transfer the Purchased Assets to the Purchaser in the manner contemplated herein and to perform all of their obligations under this Agreement. The Vendors and their board of directors have taken all necessary or desirable actions, steps and corporate and other proceedings to approve or authorize, validly and effectively, the entering into, and the execution, delivery and performance of, this Agreement and the purchase of the Purchased Assets by the Purchaser from the Vendors. This Agreement is a legal, valid and binding obligation of the Vendors, enforceable against them in accordance with the terms hereof, subject to:

- (i) bankruptcy, insolvency, and other laws relating to the enforcement of creditors' rights generally,
- (ii) another Qualified Bidder (as such is defined in the Bidding Procedures Order) being approved by the Court as the purchaser of the Business;
- (iii) the Purchaser complying with the requirements of the Bidding Procedures Order and the Approval and Vesting Order;
- (iv) the fact that equitable remedies, including the remedy of specific performance, may only be granted in the discretion of a court.

1.21 Contractual and Regulatory Approvals

The Vendors are not under any obligation, contractual or otherwise, to request or obtain the consent of any person, other than the Court, and no permits, licenses, certifications, authorizations or approvals of, or notifications to, any federal, provincial, municipal or local government or governmental agency, board, commission or authority are required to be obtained by the Vendors in connection with the execution, delivery or performance by the Vendors of this Agreement or the completion of any of the transactions contemplated herein, except for the obtaining of the Approval and Vesting Order.

1.22 No Other Agreements to Purchase

At the time of execution of this Agreement, no person other than the Purchaser has any written or oral agreement or option or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming an agreement or option for the purchase or acquisition from the Vendors of any of the Purchased Assets.

1.23 No Violation

The execution and delivery of this Agreement by the Vendors and the consummation of the transactions provided for herein will not result in the breach or violation of any of the provisions of, or constitute a default under, or conflict with or cause the termination or acceleration of any obligation of the Vendors under:

- (a) any provision of the memorandum or articles of association or resolutions of the board of directors or shareholders of the Vendors;
- (b) any licence, permit, approval, consent or authorization held by the Vendors or that is necessary to the operation of the Business; or
- (c) any applicable law, statute, ordinance, regulation or rule.

1.24 Condition of Purchased Assets

The Equipment forming part of the Purchased Assets is in good operating condition, and is in a state of good repair and maintenance, ordinary wear and tear excepted. The Purchased Assets are sufficient to carry on the Business in the manner in which the Business was conducted by the Vendors.

1.25 Taxes

For purposes of this Agreement, the term "**Governmental Charges**" means and includes all taxes, customs, duties, rates, levies, assessments, reassessments and other charges, together with all penalties, interest and fines with respect thereto, payable to any federal, provincial, municipal, local or other government or governmental agency, authority, board, bureau or commission, domestic or foreign.

There are no actions, suits, proceedings, investigations, enquiries or claims now pending or made or, to the best of the knowledge of the Vendors, threatened against the Vendors in respect of Governmental Charges.

Victory's HST registration number is _____ RT0001; JMMR's HST registration number is _____ RT0001.

1.26 Residency

The Vendors are residents of Canada for the purposes of the *Income Tax Act*.

1.27 Full Disclosure

Neither this Agreement, nor any certificate, report, statement or other document furnished by the Vendors in connection with the negotiation of this Agreement, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained herein or therein not misleading, and without limiting the generality of the foregoing, the Vendors have not failed to disclose to the Purchaser, any fact or information that would be material to a purchaser of the Purchased Assets. There has been no event, transaction or information that has come to the attention of the Vendors that has not been disclosed to the Purchaser in writing that could reasonably be expected to have a material adverse effect on the assets, business, earnings, prospects, properties or condition (financial or otherwise) of the Business.

1.28 Employees

Schedule "B" contains the name and job title of each of the Employees of the Business. There are no complaints, claims or charges outstanding, or anticipated, nor are there any orders, decisions, directions or convictions currently registered or outstanding by any tribunal or agency against or in respect of the Vendors under or in respect of any employment legislation. No Employees of the Vendors are in receipt of benefits under the *Workers' Compensation Act* (Nova Scotia). The Vendors are in compliance with the *Labour Standards Code* (Nova Scotia) and other employment legislation governing the Employees. There are no unions, collective agreements, pensions, employee benefit plans, deferred profit sharing agreements, or similar agreements, with respect to any of the Employees.

1.29 Employment Contracts

The Vendors are not a party to any written employment, service or pension agreement with any of the Employees.

1.30 Licences

All Licences are valid, subsisting and in good standing and the Vendors are not in default or breach of any Licence and, to the knowledge of the Vendors, no proceeding is pending or threatened to revoke or limit any Licence.

1.31 No Orders

There are no outstanding orders, notices or similar requirements relating to the Vendors or the Business issued by any building, environmental, fire, health, labour or police authorities or from any other federal, provincial or municipal authority and there are no matters under discussion with any such authorities relating to orders, notices or similar requirements.

1.32 Books and Records

The books and records of the Vendors which the Purchaser is entitled to inspect as part of its due diligence prior to Closing, are, in all material respects, in accordance with generally accepted accounting principles.

1.33 Premises

There are no physical problems or disrepair of the Premises or services to the Premises which may affect the ability of the Purchaser to carry on the Business at the Premises.

1.34 Representations and Warranties True and Accurate on Closing

The representations and warranties of the Vendors contained herein shall be deemed to have been made again on Closing and shall then be true and correct.

REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

The Purchaser represents and warrants to the Vendors as follows and acknowledges and confirms that the Vendors are relying on such representations and warranties in connection with the sale of the Purchased Assets:

1.35 Authorization

This Agreement has been duly authorized, executed and delivered by the Purchaser and is a legal, valid and binding obligation of the Purchaser; enforceable against the Purchaser by the Vendors in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency and other laws affecting the rights of creditors generally and except that equitable remedies may only be granted in the discretion of a court of competent jurisdiction.

1.36 No Violation

The execution and delivery of this Agreement by the Purchaser and the consummation of the transactions herein provided for will not result in the violation of, or constitute a default under, or conflict with or cause the acceleration of any obligation of the Purchaser under:

- (a) the memorandum or articles of association of the Purchaser;
- (b) any resolutions of the board of directors of the Purchaser;
- (c) any contract to which the Purchaser is a party or by which it is bound;
- (d) any judgment, decree, order or award of any court, governmental body or arbitrator having jurisdiction over the Purchaser; or
- (e) any applicable law, statute, ordinance, regulation or rule.

1.37 Consents and Approvals

There is no requirement for the Purchaser to make any filing with, give any notice to or obtain any licence, permit, certificate, registration, authorization, consent or approval of, any government or regulatory authority as a condition to the lawful consummation of the transactions contemplated by this Agreement.

1.38 Residency

The Purchaser is a resident of Canada for the purposes of the *Income Tax Act*.

NON-WAIVER; SURVIVAL

1.39 Non-Waiver

No investigations made by or on behalf of the Purchaser at any time shall have the effect of waiving, diminishing the scope or otherwise affecting any representation or warranty made by the Vendors in or pursuant to this Agreement. No waiver of any condition or other provision, in whole or in part, shall constitute a waiver of any other condition or provision (whether or not similar) nor shall such waiver constitute a continuing waiver unless otherwise expressly provided.

COVENANTS

1.40 Access to Assets and Records

The Vendors (the "**Disclosing Party**") shall forthwith make available to the Purchaser and its authorized representatives (the "**Receiving Party**") and provide copies thereof of all title documents, computer records, licences, orders, permits, books and records and such other documents, information and data relating to the Business as the Purchaser may request ("**Confidential Information**"). At the request of the Purchaser, the Vendors shall execute such consents, authorizations and directions as may be necessary to permit any inspection of any of such assets or to enable such party or its authorized representative to obtain full access to all files and records relating to the Business maintained by governmental or other public authorities. As requested, each party shall co-operate with the other party in arranging any such meetings as reasonably requested with:

- (a) employees of the Vendors;
- (b) suppliers or others who have or have had a business relationship with the Business; and
- (c) any other persons engaged or previously engaged to provide services to the Vendors who have knowledge of matters relating to the Business or the Purchased Assets.

The exercise of any rights of inspection by or on behalf of the Purchaser under this Section 1.40 shall not mitigate or otherwise affect any of the representations and warranties of the Vendors hereunder, which shall continue in full force and effect.

For the purpose of clarity, Confidential Information shall not include information already in the public domain, information provided by third parties directly to the Purchaser, and information in the possession of the Purchaser as of the date of execution of this Agreement where such information was received by the Purchaser absent any duty in law to keep same confidential.

1.41 Confidential Information

In the event that this Agreement is terminated for any reason, the Purchaser shall not use any Confidential Information to the detriment or competitive disadvantage of the Vendors or its successors and assigns and shall not divulge any Confidential Information to any third party, and the Purchaser shall return all documents received from the Vendors or its representatives.

CONDITIONS OF CLOSING

1.42 Conditions of Closing in Favour of the Purchaser

Completion of the acquisition of the Purchased Assets by the Purchaser is subject to fulfillment and satisfaction of the following conditions, which are for the exclusive benefit of the Purchaser, which are to be performed or fulfilled or satisfied at or prior to the Closing Date, or by such other date as may be indicated.

- (a) **Representations, Warranties and Covenants** - all of the representations and warranties of the Vendors contained in this Agreement shall be true and correct as of the date of this Agreement and shall be true and correct in all respects at the Closing as if made on the Closing Date and all terms, covenants and conditions of this Agreement to be complied with or performed by the Vendors on or before the Closing Date shall have been complied with or performed, and a certificate of an officer of the Vendors, dated as of the Closing Date, to that effect shall have been delivered to the Purchaser, such certificate to be in form and substance satisfactory to the Purchaser acting reasonably.
- (b) **Regulatory and Third Party Consents** - on or before the Due Diligence Date, there shall have been obtained from all appropriate federal, provincial, municipal or other governmental or administrative bodies and other third parties such licences, permits, consents, approvals, certificates, registrations and authorizations as are required to be obtained by the Purchaser to permit the change of ownership of the Purchased Assets contemplated hereby.
- (c) **Lease of Equipment** - with respect to Leased Equipment which the Purchaser elects to retain, on or before the Closing Date, leases for said leased equipment shall have been assumed by the Purchaser, or new leases entered into satisfactory to the Purchaser.
- (d) **Due Diligence** - on or before the Due Diligence Date, the Purchaser shall be satisfied, acting reasonably, with all due diligence and other inquiries made in respect of the Company and the Vendors;
- (e) **No Action or Proceeding** - no legal or regulatory action or proceeding shall be pending or threatened by any person to enjoin, restrict or prohibit the purchase and sale of the Purchased Assets contemplated hereby.
- (f) **Transfer of Purchased Assets** - all necessary steps and proceedings shall have been taken to permit the Purchased Assets to be duly and regularly transferred to and registered in the name of the Purchaser and all Purchased Assets shall be properly installed, in good working order, and in the case of mink, in good health, as of the Closing Date.

- (g) **Legal Matters** - all actions, proceedings, instruments and documents required to implement this Agreement, or instrumental thereto, and all legal matters relating to the purchase of the Purchased Assets, shall have been approved as to form and legality by the Purchaser's solicitors.
- (h) **Discharge** - on or before the Closing Date, the Vendors shall have obtained the Approval and Vesting Order vesting the Purchased Assets in the Purchaser free and clear of all Encumbrances upon payment of the Purchase Price.
- (i) **Employees** - the employment of all Employees, including any associated employment benefits, shall have been terminated on or prior to the Closing Date by the Vendors; and The Purchaser shall offer employment to the existing employees of the Business upon terms and conditions and with benefits that are no less favourable in the aggregate than those applicable to their current employment with the Vendors. The Purchaser shall have no liability or obligation in respect of any employee who does not accept the offer of employment by the Purchaser. Any employee who accepts employment with the Purchaser will receive credit for their years of service with the Vendor prior to the Closing Date and calculating post-closing vacation entitlement.
- (j) Section 36(7) of the CCAA - the Vendors have complied with the requirements of section 36(7) .
- (k) **Delivery of Documents** - all items listed in Section 1.45 shall have been delivered.
- (l) **GST 44** - the Vendors and the Purchaser shall complete Forms GST 44 to elect under s. 167 of the ETA.

If any of the conditions contained in this Section 1.42 have not been performed or fulfilled on or before the Closing Date or by such earlier date as may be indicated, to the satisfaction of the Purchaser, the Purchaser may, by notice to the Vendors, terminate this Agreement.

1.43 Conditions of Closing in Favour of the Vendors

Completion of the sale of the Purchased Assets by the Vendors is subject to fulfillment and satisfaction of the following conditions which are for the exclusive benefit of the Vendors, which are to be performed or fulfilled or satisfied at or prior to the time of Closing.

- (a) **Payment of Purchase Price** - the Purchase Price required to be paid by the Purchaser to the Monitor at the Closing shall have been paid in full.
- (b) **Representations, Warranties and Covenants** - all of the representations and warranties of the Purchaser contained in this Agreement shall be true and correct as of the date of this Agreement and shall be true and correct in all respects at the Closing as if made on the Closing Date and all terms, covenants and conditions of this Agreement to be complied with or performed by the Purchaser on or before the Closing Date shall have been complied with or performed, and a certificate of an officer of the Purchaser, dated as of the Closing Date, to that effect shall have been delivered to the Vendors, such certificate to be in form and substance satisfactory to the Vendors acting reasonably.
- (c) **Delivery of Documents** - all items listed in Section 1.46 shall have been delivered.

If any of the conditions contained in this Section 1.43 have not been performed or fulfilled at or prior to the time of Closing to the satisfaction of the Vendors, the Vendors may, by notice to the Purchaser, terminate this Agreement.

CLOSING DATE AND TRANSFER OF POSSESSION

1.44 Place of Closing

Completion of the purchase and sale of the Purchased Assets will take place by exchange of documents between the Vendors' Solicitor and the Purchaser's Solicitors, or by such other method as mutually agreed to by the Purchaser and the Vendors.

1.45 Vendors' Deliverables

On the Closing Date the Vendors shall deliver or cause to be delivered to the Purchaser the following:

- (a) such deeds, assignments, bills of sale, transfers, conveyances, and other documents as the Purchaser's Solicitors may reasonably require for the purpose of vesting in the Purchaser good title to the Purchased Assets, and, in particular, the Approval and Vesting Order, vesting the Purchased Assets in the Purchaser free and clear of all mortgages, charges, liens, Encumbrances and other third party rights or interests;
- (b) a copy, certified by a senior officer of the Vendors, as of the Closing Date, of the resolutions of the directors of the Vendors authorizing the transfer of the Purchased Assets to the Purchaser;
- (c) actual possession of the Purchased Assets to the Purchaser, together with originals or copies of all books and records as may be necessary or desirable in the opinion of the Purchaser to enable the Purchaser to carry on the Business without interruption.
- (d) a certificate of an officer of the Vendors certifying that the Vendors' representations, warranties and covenants as stated in this Agreement are true and correct in all respects at the Closing as if made on the Closing Date;
- (e) a receipt for the Purchase Price; and
- (f) such other documents as are required to convey the Purchased Assets from the Vendors to the Purchaser on the Closing Date.

1.46 Purchaser's Deliverables

On the Closing Date, the Purchaser shall deliver or cause to be delivered to the Vendors the following:

- (a) a copy, certified by a senior officer of the Purchaser as of the Closing Date, of the directors' resolution authorizing the execution, delivery and performance by the Purchaser of this Agreement; and
- (b) a certificate of an officer of the Purchaser certifying that the Purchaser's representations, warranties and covenants as stated in this Agreement are true and correct in all respects at the Closing as if made on the Closing Date.

On the Closing Date, the Purchaser shall deliver or cause to be delivered to the Monitor the a certified cheque, bank draft or trust cheque of the Purchaser's Solicitors for the full amount of the Purchase Price payable under Section 1.16;

1.47 Further Assurances

Each party to this Agreement covenants and agrees that it will, at all times after the Closing Date, promptly execute and deliver all such documents, including, without limitation, all such additional conveyances, transfers, consents and other assurances and do all such other acts and things as the other party, acting reasonably, may from time to time request be executed or done in order to better evidence or perfect or effectuate any provision of this Agreement or of any agreement or other document executed pursuant to this Agreement or any of the respective obligations intended to be created hereby or thereby.

MISCELLANEOUS

1.48 Notices

Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be delivered in person, transmitted by telecopy or similar means of recorded electronic communication or sent by registered mail, charges prepaid, addressed as follows:

To: the Vendors at

BoyneClarke LLP
99 Wyse Road, Suite 600
PO Box 876
Dartmouth, NS
B2Y 3Z5

Attention Tim Hill, Q.C.

Telephone: (902) 469-9500
Facsimile: (902) 463-7500
Email: thill@boyneclarke.ca

To: the Purchaser at

Burchell MacDougall
710 Prince Street,
PO Box 876
Truro, NS
B2N 5H1

Attention Brian Stilwell

Telephone: (902) 895-1561
Facsimile: (902) 895-7709
Email: bstilwell@burchellmacdougall.com

Any such notice or other communication shall be deemed to have been given and received on the day on which it was delivered or transmitted (or, if such day is not a Business Day, on the next following Business Day) or, if mailed, on the third Business Day following the date of mailing; provided, however, that if at the time of mailing or within three Business Days thereafter there is or occurs a labour dispute or other event that might reasonably be expected to disrupt the delivery of documents by mail, any notice or other communication hereunder shall be delivered or transmitted by means of recorded electronic communication as aforesaid. In the event that the receiving party's electronic communication equipment is not functioning at the time of transmittal, the notice or other communication will be served by courier.

Either party may at any time change its address for service from time to time by giving notice to the other party in accordance with this Section 1.48.

1.49 Best Efforts

The parties acknowledge and agree that, for all purposes of this Agreement, an obligation on the part of either party to use its best efforts to obtain any waiver, consent, approval, permit, licence or other document shall not require such party to make any payment to any person for the purpose of procuring the same, other than payments for amounts due and payable to such person, payments for incidental expenses incurred by such person and payments required by any applicable law or regulation.

1.50 Fees

Each of the parties hereto shall pay their respective legal and accounting costs and expenses incurred in connection with the preparation, execution and delivery of this Agreement and all documents and instruments executed pursuant hereto and any other costs and expenses whatsoever and howsoever incurred.

1.51 Counterparts

This Agreement may be executed by facsimile signature and in counterparts, each of which shall constitute an original and all of which taken together shall constitute one and the same instrument.

[signature page follows]

IN WITNESS WHEREOF the parties have properly executed this Agreement all as of the day and year first above written.

SIGNED, SEALED AND DELIVERED in the presence of:

Rosena DeRoy
Witness

Rosena DeRoy
Witness

Meté Silvetti
Witness

VICTORY FARMS INCORPORATED

Per: *[Signature]*
Jonathan Mullen - President

JONATHAN MULLEN MINK RANCH LIMITED

Per: *[Signature]*
Jonathan Mullen - President

NORTH AMERICAN FUR AUCTIONS INC.

Per: *[Signature]*
Doug Lawson - Senior Vice-President

SCHEDULE "A"

Bidding Procedures Order

SCHEDULE "B"

Employees

	Name	Job Title	Date of Hire	Vacation Entitlement	Rate of Remuneration
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					
11.					

- 20 -

SCHEDULE "C"

Equipment

SCHEDULE "D"

Real Property with Permitted Encumbrances

SCHEDULE "E"

Excluded Assets

SCHEDULE "F"

Purchase Price Allocation

<u>Asset</u>	<u>Allocation of Purchase Price</u>

2016

Hfx. No. 454744

Supreme Court of Nova Scotia

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

THIS IS EXHIBIT "B" TO THE AFFIDAVIT OF JONATHAN MULLEN SWORN BEFORE
ME THIS DAY OF FEBRUARY, 2017.

A Barrister of the Supreme Court
Of Nova Scotia

Appendix E: Sales Process Order

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

Notice of Motion

To: The Service List (as attached as Schedule "A")

Motion

The Applicants in this proceeding move for the following:

Stalking Horse and Bidding Procedures Order

- (1) An order, substantially in the form attached hereto as Schedule "B" ("the Stalking Horse and Bidding Procedures Order"), inter alia:
 - (a) abridging the time for and validating the service of this Notice of Motion and the materials filed in support of this Motion, and dispensing with further service;
 - (b) approving the sales process to market for sale the business of Victory Farms Incorporated and Jonathan Mullen Mink Ranch Limited (the "Applicants"), substantially in the form described in the Sixth Report of the Monitor, Deloitte Restructuring Inc., which is to be undertaken by the Monitor with the assistance of the Applicants' management;
 - (c) authorizing and directing the Applicants to enter into an asset purchase agreement (the "Stalking Horse APA") with North American Fur Auctions Inc., or its assignee, *nunc pro tunc*, and approving and accepting the Stalking Horse APA for the purpose of conducting the Stalking Horse Process (as defined in the Stalking Horse Order); and
 - (d) approving the Bidding Procedures (as defined in the Stalking Horse Order); and
 - (e) such further and other relief as counsel may seek and this Honourable Court may deem just.

Additional Interim Financing Order

- (2) An order, substantially in the form attached hereto as Schedule "C" ("the Additional Interim Financing Order"), inter alia:
 - (a) abridging the time for and validating the service of this Notice of Motion and the materials filed in support of this Motion, and dispensing with further service;
 - (b) Approving the Additional Financing Term Sheet; and

- (c) Increasing the amount of the DIP Facility as defined in the Charging Order granted by the Honourable Court on September 27, 2016, from \$1,500,000 to \$3,000,000.

Extension of Stay

- (3) An order substantially in the form attached hereto as Schedule "D", inter alia:
- (a) abridging the time for and validating the service of this Notice of Motion and the materials filed in support of this Motion, and dispensing with further service; and
 - (b) extending the stay of proceedings granted on August 31, 2016, up to and including April 28, 2017.

Time and place

The motion is to be heard by a judge on February 14, 2017, at 2 p.m. in The Law Courts, 1815 Upper Water Street, Halifax, Nova Scotia, B3J 1S7. The moving party has set the motion for hearing in one half day in chambers. The moving party says that the motion will not require more time.

References

The moving party relies on the following legislation, Rules or points of law: sections 11.02, 11.2 and 36 of the *Companies' Creditors Arrangement Act*.

Evidence

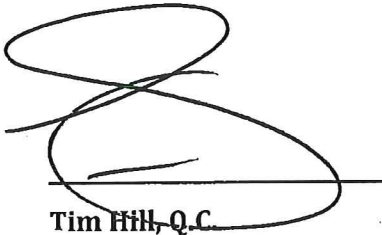
The evidence in support of the motion is as follows: Affidavit of Jonathan Mullen filed with this notice; Sixth Report of the Monitor (to be filed).

Possible order against you

You may file an affidavit and a brief, attend the hearing of the motion, and state your position on whether the proposed order should be made. If you do not attend, the judge may grant an order without further notice to you.

Signature

Signed February 9, 2017.



Tim Hill, Q.C.

Schedule "A"

SERVICE LIST

Workers' Compensation Board of Nova Scotia
P.O. BOX 1150
5668 SOUTH ST
Halifax NS B3J 2Y2
Canada
Fax #: 902-491-8325

Attn: Marg Organ, Senior Collections Officer

American Legend Cooperative
200 S.W. 34th Street
Renton WA 98055, USA

Counsel:

Maurice Chiasson, Q.C.
Stewart McKelvey
Suite 900
Purdy's Wharf Tower One
1959 Upper Water Street
Halifax, NS, Canada
B3J 3N2

mchiasson@stewartmckelvey.com

Nova Scotia Farm Loan Board
MacRae Library Building
Floor 1st Suite 1
137 College Road
Truro NS B2N 5E3

Attn: Karen Tulkens
karen.tulkens@novascotia.ca

John Murray
John.E.Murray@novascotia.ca

Farm Credit Canada
1133 St. George BOUL
Moncton NB E1E4E1
Canada

Counsel

Josh J.B. McElman
Cox & Palmer
Brunswick Square, Suite 1500
1 Germain Street
Saint John, NB E2L 4V1
Phone 506 633 2708
Fax 506 632 8809
jmcelman@coxandpalmer.com

Gavin D. F. MacDonald
Cox & Palmer
Purdy's Wharf, Tower I
1100-1959 Upper Water Street
Halifax, NS B3J 3N2
Phone: 902 491 4464
Fax: 902 421 3130
gmacdonald@coxandpalmer.com

Bank of Nova Scotia - Atlantic CAU
1465 Brenton Street, 4th Floor
Halifax NS B3J3T4
Canada

CNH Industrial Capital Canada Ltd.
4475 North Service Road
Burlington ON L7L 4X7
Canada

Counsel

Colin Piercey
Stewart McKelvy
Suite 900
Purdy's Wharf Tower One
1959 Upper Water Street
Halifax, NS, Canada
B3J 3N2

cpiercey@stewartmckelvey.com

North American Fur Auctions Inc.
65 Skyway Avenue
Toronto ON M9W 6C7
Canada
Fax #: 416-213-2162

Attn: Douglas Lawson
Senior Vice President

dlawson@nafa.ca

Counsel

Brian Stilwell
Bstilwell@BurchellMacDougall.com

Deloitte Restructuring Inc
1969 Upper Water Street,
Suite 1500, Halifax, NS, Canada B3J 3R7

Attn: James Foran
Neil Jones
Email: jforan@deloitte.ca
neiljones@deloitte.ca

Counsel

McInnes Cooper
1969 Upper Water Street
Suite 1300
Purdy's Wharf Tower II Halifax, NS, B3J 2V1
Fax #: 902 425 6350

Attn: Ben R. Durnford
John Stringer, Q.C.

Email: ben.durnford@mcinnescooper.com
john.stringer@mcinnescooper.com

Tipper McEwan
Stewart Mckelvey
902.444.1743
tmcewan@stewartmckelvey.com

Schedule "B"

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

Stalking Horse and Bidding Procedures Order

UPON MOTION OF Victory Farms Incorporated and Jonathan Mullen Mink Ranch Limited (the "Applicants") for an order approving the Stalking Horse Asset Purchase Agreement and related sales process;

AND UPON READING the affidavit of Jonathan Mullen sworn February *, 2017, the Sixth Report of Deloitte Restructuring Inc., in its capacity as Monitor (the "Monitor"), dated February *, 2017 ("the Sixth Report") and the exhibits thereto, filed, and on hearing the submissions of counsel for the Applicants, the Monitor, and those for the secured creditors as appeared:

IT IS ORDERED THAT:

Service

1. The time for service of the Notice of Motion, the Sixth Report and the other materials filed herein is hereby abridged so that this motion is properly returnable today and hereby dispenses with further service thereof.

Stalking Horse Process

2. The Applicants are hereby authorized and directed, *nunc pro tunc*, to enter into an agreement to sell all or substantially all of their assets, property and undertakings (the "Purchased Assets") to North American Fur Auctions Inc. (the "Stalking Horse Bidder"), substantially in the form of the agreement attached as Appendix "B" to the Sixth Report (the "Stalking Horse Asset Purchase Agreement"), and such agreement, subject to the terms of this Order, is hereby approved and accepted for the purpose of conducting the Stalking Horse Process (defined below) in accordance with the Bidding Procedures (defined below).

3. The bidding procedures described in the Sixth Report and attached hereto as Schedule "A" (the "Bidding Procedures") and the sale process and auction described therein (collectively, the "Stalking Horse Process") be and are hereby approved and the Monitor is hereby authorized and directed to conduct the Stalking Horse Process.

4. In connection with the Stalking Horse Process and pursuant to section 7(3)(c) of the *Personal Information Protection and Documents Act* (Canada), the Applicants and/or the Monitor may disclose personal information of identifiable individuals to prospective bidders for the Purchased Assets and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete a sale of such assets. Each prospective bidder to whom any 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 said assets and related business, and if it does not complete a purchase thereof, shall return all such information to the Applicants and/or the Monitor or in the alternative shall destroy all such information and certify such destruction to the Applicants and/or the Monitor.

Issued February 14, 2017

Deputy Prothonotary

Schedule A — Bidding Procedures

Bidding Procedures

1. Set forth below are the bidding procedures (the "Bidding Procedures") to be employed with respect to the sale (the "Sale") of the assets, property and undertakings (the "Purchased Assets") of Victory Farms Incorporated and Jonathan Mullen Mink Ranch Limited (the "Applicants") by the Applicants.
2. On February 14, 2017, the Court issued an order (the "Bidding Procedures Order") approving and accepting for the purpose of conducting the Stalking Horse Process in accordance with these Bidding Procedures that certain asset purchase agreement dated February *, 2017 (the "Stalking Horse Asset Purchase Agreement" or "Stalking Horse Bid") between the Applicants and North American Fur Auctions Limited, or its assignee (the "Stalking Horse Bidder"), and approving these Bidding Procedures.
3. All amounts specified herein are in Canadian dollars.
4. Within five (5) business days following the Auction (defined below), the Applicants shall bring a motion (the "Sale Approval Motion") seeking the granting of an order by the Court authorizing and approving the Sale of the Purchased Assets to the Successful Bidder(s) (such order, as approved, the "Approval and Vesting Order").

Assets to Be Sold

5. The Applicants, in consultation with Deloitte Restructuring Inc., (the "Monitor") in its capacity as the Court-appointed Monitor of the Applicants, are offering for sale all of the Applicants' right, title and interest in and to all of the Purchased Assets and encourages bids for all of the Purchased Assets, in whole.

Permitted Encumbrances

6. The mortgages of real property made by the Applicants in favour of Nova Scotia Farm Loan Board and Farm Credit Canada shall be Permitted Encumbrances, and the sale herein contemplated shall be subject to said mortgages of real property.

The Bidding Process

7. The Applicants, in consultation with the Monitor, shall (i) determine whether any person is a Qualified Bidder, (ii) coordinate the efforts of Qualified Bidders in conducting their due diligence investigations, (iii) receive offers from Qualified Bidders, and (iv) negotiate any offers made to purchase the Purchased Assets (collectively, the "Bidding Process"). The Monitor, in consultation with the Applicants and the secured creditors, shall have the right to adopt such other rules for the Bidding Process (including rules that may depart from those set forth herein) that will better promote the goals of the Bidding Process, provided, however, that such other rules are not inconsistent with any of (i) the provisions of the Stalking Horse Asset Purchase Agreement (including the deadlines therein), (ii) the Bid Deposit Requirement (as defined below), and (iii) the bid protections granted to the Stalking Horse Bidder herein.

Participation Requirements

8. A "Qualified Bidder" is a potential bidder that the Monitor, in consultation with the Applicants and the secured creditors, determines is likely (based on financial information submitted by the bidder, the availability of financing, experience and other considerations deemed relevant by the Monitor) to be able to consummate a sale if selected as the Successful Bidder (as defined below). Notwithstanding the foregoing, the Stalking Horse Bidder shall be deemed a Qualified Bidder.

Due Diligence

9. Any Person that wishes to participate in the Bidding Process must (i) execute a confidentiality agreement in form and substance acceptable to the Monitor and (ii) be a Qualified Bidder. The Monitor shall not be obligated to furnish information of any kind whatsoever to any Person that the Monitor determines not to be a Qualified Bidder. The Monitor will afford any Qualified Bidder the time and opportunity to conduct reasonable due diligence subject to the time frames contemplated by these Bidding Procedures. The Monitor will designate a representative to coordinate all reasonable requests for additional information and due diligence access from such Qualified Bidders.

Bid Deadline

10. A Qualified Bidder that desires to make a bid shall deliver written copies of its bid and the Required Bid Materials (defined below) to each of (i) the Monitor, Deloitte Restructuring Inc. Inc., 1969 Upper Water Street, Suite 1500, Halifax, NS, Canada B3J 3R7, Attention: James Foran; and (ii) counsel to the Monitor, McInnes Cooper, 1969 Upper Water Street, Suite 1300, Purdy's Wharf Tower II Halifax, NS, B3J 2V1, Attention: Ben R. Durnford, not later than 12:00 p.m. (Nova Scotia time) on March *, 2017 (the "Bid Deadline"). In the event that a bid is determined to be a Qualified Bid, the Monitor shall deliver a written copy of any such Qualified Bid and the Required Bid Materials to the Stalking Horse Bidder's counsel, Burchell MacDougall LLP, 710 Prince St, PO Box 1128, Truro NS, B2N 5H1, Attention: Brian W. Stilwell, and to the Applicants' counsel, BoyneClarke LLP, 99 Wyse Road, Suite 600, Dartmouth, NS, B2Y 3Z5, Attention: Tim Hill, Q.C.

Bid Requirements

11. All bids must include (unless such requirement is waived by the Monitor, with the concurrence of the Applicants and the secured creditors) (the "Required Bid Materials"):
 - (i) A cash purchase price equal to or greater than \$4,000,000, (the "Minimum Bid Amount");
 - (ii) An acknowledgement that the sale is subject to the Permitted Encumbrances;
 - (iii) A letter stating that the bidder's offer is irrevocable until the first business day after the Purchased Assets have been sold pursuant to the closing of the sale or sales thereof approved by the Court;
 - (iv) An executed copy of a proposed purchase agreement and a blackline of the Qualified Bidder's proposed purchase agreement reflecting variations from the Stalking Horse Asset Purchase Agreement (the "Marked Agreement"). All Qualified Bids must provide: (a) a commitment to close within five (5) business days after satisfaction of all conditions and a covenant to use commercial best efforts to satisfy all conditions; and (b) the identity of and contact information for the bidder and full disclosure of any affiliates and any debt or equity financing sources involved in such bid;

- (v) A cash deposit in the amount of \$400,000 in the form of a wire transfer, certified cheque or such other form acceptable to the Monitor (the "Bid Deposit"), which shall be placed in an escrow account (the "Escrow Account"). The Escrow Account shall not be subject to any Liens whatsoever of the Applicants' creditors or otherwise, and funds shall be disbursed from the Escrow Account only as follows: (i) if the Qualified Bidder is the Successful Bidder at the Auction, its Bid Deposit will be applied to the purchase price payable by it under its bid on the closing thereof, and (ii) if the Qualified Bidder is not the Successful Bidder at the Auction, then its Bid Deposit shall be returned to it (subject to the other provisions of these Bidding Procedures and the terms of its asset purchase agreement with the Monitor);
- (vi) A representation of the bidder and written evidence that the bidder has a commitment for financing or other evidence of the proposed purchaser's ability to consummate the proposed transaction, including executed copies of any financing agreements, commitments, guarantees of the payment obligations of the proposed purchaser, and which the Monitor, in consultation with the Applicants and the secured creditors, believes to be sufficient to satisfy the bidder's obligations under its proposed bid, including to consummate the transaction contemplated by the proposed agreement submitted by it as provided above;
- (vii) A representation of the bidder and written evidence that the bidder has entered into an agreement with Nova Scotia Farm Loan Board and Farm Credit Canada to assume the debt secured by the mortgages of real property which form part of the Permitted Encumbrances, should the bidder be the successful bidder;
- (viii) The bid shall identify with particularity those executory contracts and unexpired leases of the Applicants with respect to which the bidder seeks to receive an assignment;
- (ix) The bid shall not request or entitle the bidder to any transaction or break up fee, expense reimbursement, termination or similar type of fee or payment and shall include an acknowledgement and representation of the bidder that it has had an opportunity to conduct any and all due diligence regarding the Purchased Assets prior to making its offer, that it has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Purchased Assets in making its bid, and that it did not rely upon any written or oral statements, representations, warranties, or guarantees, express, implied, statutory or otherwise,

regarding the Purchased Assets, title to same, the financial performance of the Purchased Assets, the fitness for use of or the physical condition of the Purchased Assets, or the completeness of any information provided in connection therewith or the Auction, except as expressly stated in these Bidding Procedures or the Stalking Horse Asset Purchase Agreement;

- (x) The bid shall not contain any due diligence, financing or regulatory contingencies of any kind other than those contained in the Stalking Horse Asset Purchase Agreement, though the bid may be subject to the satisfaction of other specific conditions in all material respects at the Closing Date (defined below);
- (xi) The bid shall fully disclose the identity of each entity that will be bidding for the Purchased Assets or otherwise participating in connection with such bid, and the complete terms of any such participation;
- (xii) The bid shall state that the offering party consents to the jurisdiction of the Court;
- (xiii) The bid shall include evidence of authorization and approval from the bidder's board of directors (or comparable governing body) with respect to the submission, execution, delivery and closing of the submitted purchase agreement of the bidder;
- (xiv) The bid shall state that the offering party has not acted and will not act in collusion with any other undisclosed party or entity in connection with its bid; and
- (xv) The bid shall identify with particularity any liabilities being assumed.

12. A bid received from a Qualified Bidder that includes all of the Required Bid Materials and is received by the Bid Deadline is a "Qualified Bid." The Monitor, in consultation with the Applicants and the secured creditors, reserves the right to determine the value of any Qualified Bid, and which Qualified Bid constitutes the best offer (the "Lead Bid"). Forthwith after the Bid Deadline, the Monitor, in consultation with the Applicants and the secured creditors, shall determine which Qualified Bid shall be the Lead Bid for the purposes of the Auction. A copy of the Lead Bid will be provided to all Qualified Bidders prior to the Auction Date.

13. Notwithstanding the bid requirements detailed above, the Stalking Horse Bid shall be deemed a Qualified Bid.

Credit Bidding

14. None of the bidders shall be permitted to credit bid any indebtedness owed to them by the Applicants in connection with the making of a Qualified Bid or in the conduct of the Auction. If any of the secured creditors or any affiliate thereof (other than the Stalking Horse Bidder) wishes to participate in the Auction, they must qualify as a Qualified Bidder in accordance with these Bidding Procedures and will forfeit any right of consultation with the Monitor provided for herein.

"As Is, Where Is, with All Faults"

15. The sale of the Purchased Assets shall be on an "as is", "where is" and "with all faults" basis and without representations, warranties, or guarantees, express, implied or statutory, written or oral, of any kind, nature, or description by the Monitor or the Applicants or their respective agents, representatives or estates, or any of the other parties participating in the sales process pursuant to these Bid Procedures, except as may otherwise be provided in a definitive purchase agreement with the Applicants. By submitting a bid, each Qualified Bidder shall be deemed to acknowledge and represent that it has had an opportunity to conduct any and all due diligence regarding the Purchased Assets prior to making its bid, that it has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Purchased Assets in making its bid, and that it did not rely upon any written or oral statements, representations, warranties, or guarantees, express, implied, statutory or otherwise, regarding the Purchased Assets, title to the Purchased Assets, the financial performance of the Purchased Assets or the physical condition or location of the Purchased Assets or their fitness for use, or the completeness of any information provided in connection therewith or the Auction, except as expressly stated in these Bidding Procedures or as set forth in a definitive purchase agreement with the Applicants.

Free of Any and All Liens

16. Except as otherwise provided in the Stalking Horse Asset Purchase Agreement or another Successful Bidder's purchase agreement, and subject to mortgages of real property in favour of Nova Scotia Farm Loan Board and Farm Credit Canada and any other security, charges or other restrictions (Permitted Encumbrances") which may be defined in the Approval and Vesting Order, all of the Applicants' right, title and interest in and to the

Purchased Assets subject thereto shall, pursuant to the provisions of section 36 of the Companies' Creditors Arrangement Act, be sold free and clear of any and all security, charge or other restriction, other than Permitted Encumbrances as provided for in the Approval and Vesting Order.

The Auction and Auction Procedures

17. If a Qualified Bid (other than that submitted by the Stalking Horse Bidder) or Qualified Bids which, in either case, in the aggregate provide for cash consideration of not less than the Minimum Bid Amount, have been received by the Monitor on or before the Bid Deadline, the Monitor shall conduct an auction (the "Auction") with respect to all of the Purchased Assets, with the Lead Bid as the starting bid for the Auction. The Auction shall be conducted at the offices of Deloitte Restructuring Inc. Inc., 1969 Upper Water Street, Suite 1500, Halifax, NS, Canada B3J 3R7 (the "Auction Site") at 11:00 a.m. (Nova Scotia time) on March *, 2017 (the "Auction Date"), or such other place and time as the Monitor shall notify all Qualified Bidders who have submitted Qualified Bids and expressed their intent to participate in the Auction as set forth above. Prior to moving the Auction Date, the Monitor shall consult with the Stalking Horse Bidder and the Applicants and the secured creditors.
18. Except as otherwise provided herein, based upon the terms of the Qualified Bids received, the number of Qualified Bidders participating in the Auction, and such other information as the Monitor determines is relevant, the Monitor, in consultation with the Applicants and the secured creditors, may conduct the Auction in any manner that it determines will achieve the maximum value for the Purchased Assets, provided that all Qualified Bidders that have timely submitted a Qualified Bid shall be entitled to be present during each round of bidding, the identity of each such Qualified Bidder shall be disclosed to all other Qualified Bidders, and all material terms of each Qualified Bid and each subsequent bid made by each such Qualified Bidder shall be disclosed to all other Qualified Bidders. The Monitor, in consultation with the Applicants and the secured creditors also may set opening bid amounts in each round of bidding as the Monitor determines to be appropriate.
19. If Qualified Bidders submit Qualified Bids, then the Monitor, in consultation with the Applicants and the secured creditors, shall (i) promptly following the Bid Deadline, review each Qualified Bid on the basis of the financial and contractual terms and the factors relevant to the sale process, including those factors affecting the speed and certainty of consummating the sale as contemplated in the Stalking Horse and Bidding Procedures

Order and the Bidding Procedures, and (ii) as soon as practicable after the conclusion of the Auction, identify the best offer for the Purchased Assets (to the extent any such bid is acceptable to the Monitor, in consultation with the Applicants and the secured creditors, a "Successful Bid" and the bidder or bidders making such bid, the "Successful Bidder"). At the hearing on the Sale Approval Motion, the Monitor will present the Successful Bid to the Court for approval. The Monitor reserves all rights not to submit any bid which is not acceptable to the Monitor for approval by the Court. The Monitor acknowledges that the Stalking Horse Bid is a Qualified Bid and shall be submitted to the Court for approval in the event that there is no other Successful Bid. Except as otherwise provided herein or as restricted by the Stalking Horse Asset Purchase Agreement, the Monitor upon consultation with the Applicants, may adopt rules for bidding at the Auction that, in its business judgment, will better promote the goals of the bidding process or any order of the Court entered in connection herewith.

20. If no Qualified Bid is submitted by the Bid Deadline or all Qualified Bids that have been submitted have been withdrawn prior to the Bid Deadline or the Auction Date, then the Monitor shall cancel the Auction (in which case, the Successful Bid shall be the Stalking Horse Bid, and the Successful Bidder shall be the Stalking Horse Bidder).

Overbid Amount; Minimum Bid Increment

21. There shall be an overbid amount that a Qualified Bidder must bid to exceed the Stalking Horse Bid ("Overbid Amount"), and that amount shall be at least \$100,000 for all bids made by Qualified Bidders. At the Auction, all subsequent bids shall not be less than \$50,000 in excess of the preceding bid, unless modified by the Monitor.

Acceptance of Qualified Bids

22. The sale of the Purchased Assets to any Successful Bidder by the Applicants is expressly conditional upon the approval of the Successful Bid by the Court at the hearing of the Sale Approval Motion. The Applicants' presentation of any Qualified Bid to the Court for approval does not obligate the Applicants to close the transaction contemplated by such Qualified Bid until the Court approves the bid. The Applicants will be deemed to have accepted a bid only when the bid has been approved by the Court at the hearing on the Sale Approval Motion.

Sale Approval Motion Hearing

23. The Sale Approval Motion shall be made on or before March *, 2017. The Applicants, in consultation with the Monitor, in the exercise of its business judgment, in consultation with the Applicants and the secured creditors, reserves their rights to the extent consistent with the Stalking Horse Asset Purchase Agreement, to change the date of the hearing of the Sale Approval Motion in order to achieve the maximum value for the Assets.
24. At the hearing of the Sale Approval Motion, the Applicants shall seek approval from the Court to consummate the Successful Bid, and at the Monitor's election, to consummate the next best Qualified Bid (the "Back-Up Bid", and the party submitting the Back-Up Bid, the "Back-Up Bidder") should the Successful Bid not be closed in accordance with its terms for any reason.
25. If the Successful Bidder fails to consummate an approved Sale within five (5) business days after satisfaction of all conditions thereof ("the Closing Date"), the Applicants, in consultation with the Monitor, may, but shall not be required, to consummate the Back-Up Bid without the requirement of any further approval thereof by the Court. The Back-Up Bid shall remain open until the first business day following the consummation of the sale of the Purchased Assets to the Successful Bidder.

Modifications

26. The Monitor, after consultation with the Applicants and the secured creditors, may (a) determine which Qualified Bid, if any, is the best offer; and (b) reject at any time before the issuance and entry of an Approval and Vesting Order approving a Qualified Bid, any bid that is (i) inadequate or insufficient, (ii) not in conformity with the requirements of the Bidding Procedures, or the terms and conditions of sale, or (iii) contrary to the best interests of the Monitor, the Applicants' estate or their creditors. Notwithstanding the foregoing, the provisions of this paragraph shall not operate or be construed to permit the Monitor to - accept any Qualified Bid that (i) does not require a bid deposit of at least \$400,000 be placed in a protected, segregated account, which shall serve as protection and security for the Stalking Horse Bidder as outlined herein, (ii) does not equal or exceed the Overbid Amount, or (iii) impose any terms and conditions upon the Stalking Horse Bidder that are contradictory to or in breach of the terms of the Stalking Horse Asset Purchase Agreement

other than any such terms and conditions set forth in these Bidding Procedures or the Bidding Procedures Order.

Miscellaneous

27. The Auction and these Bidding Procedures are for the benefit of the Applicants and nothing contained in the Bidding Procedures Order or these Bidding Procedures shall create any rights in any other person or bidder (including without limitation rights as third party beneficiaries or otherwise) other than the rights expressly granted to a Successful Bidder under the Bidding Procedures Order. The bid protections incorporated in these Bidding Procedures are for the benefit of the Stalking Horse Bidder.
28. The Monitor shall not have any liability whatsoever to any person or party, including without limitation the Applicants, the Stalking Horse Bidder, any other bidder or any creditor or other stakeholder, for any act or omission related to the process contemplated by these Bidding Procedures.
29. Except as provided in the Bidding Procedures Order and Bidding Procedures, the Court shall retain jurisdiction to hear and determine all matters arising from or relating to the implementation of the Bidding Procedures Order.

Schedule "C"

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*

2nd Charging Order

Before the Honourable Justice Glen G. McDougall in chambers:

The Applicants applied for relief under the *Companies' Creditors Arrangement Act* including an initial order, which has been granted, and further orders on further motions;

The initial order was granted on the 31st day of August, 2016 (the "Initial Order"), a Charging Order ("the Initial Charging Order") was granted on September 27, 2017, and the Applicants now move for an order providing certain additional Charges in priority to existing security by way of amendment to the Initial Charging Order;

The Applicants have filed supporting documents including the affidavit of service of Tim Hill, Q.C. (the "Affidavit of Service"), the affidavit of Jonathan Mullen, and a report of the Monitor.

The following parties appeared and made submissions on the motion: Tim Hill, Q.C., on behalf of the Applicants, Maurice P. Chaisson, Q.C., on behalf of American Legend Cooperative ("ALC"), Brian W. Stilwell, on behalf of North American Fur Auctions Inc., Gavin D.F. MacDonald on behalf of Farm Credit Canada, and Ben Durnford on behalf of the Monitor, Deloitte Restructuring Inc.

On motion of the Applicants the following is ordered and declared:

Service

1. The service of notice of motion and the supporting documents as set out in the Affidavit of Service is deemed adequate so that motion is properly returnable today and further service thereof is hereby dispensed with.

Interpretation

2. All capitalized words used in this Order that are not otherwise defined in this Order have the meanings ascribed to them in the Initial Order.

DIP Financing and Charge

3. The Initial Charging Order is amended in the following respect:
 - (a) Paragraph 3 thereof is amended so as to increase the allowed borrowings from \$1,500,000 to \$3,000,000;
 - (b) Paragraph 6 thereof is amended as follows:
 6. The DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "DIP Lender's Charge") on the property of the Applicants limited to limited to a charge over the livestock (mink) of the Applicants, including breeding stock, the pelts derived therefrom ("the Mink"), but also including cash derived from advances from the DIP Lender and accounts receivable derived from the sale of the Mink ("the DIP Charged Property"), and the proceeds thereof, as security for any and all obligations of the Applicants under or pursuant to the DIP Facility and the DIP Term Sheet, which charge shall not exceed the aggregate amount owed to the DIP Lender under the DIP Facility and the DIP Term Sheet. The DIP Lender's Charge shall have the priority set out herein.
4. All other provisions of the Initial Order shall apply *mutatis mutandis*.

Service and Notice

5. The Applicants and the Monitor shall serve a copy of this Order on all secured creditors of the Applicants and shall be at liberty to serve this Order on such other Persons as it determines is appropriate. All such service shall be made in accordance with the provisions of the Initial Order.

General

6. The aid and recognition of any court, tribunal, or regulatory or administrative body having jurisdiction outside Nova Scotia is hereby requested to give effect to this Order and to assist the Applicants, the Monitor, and their respective agents in carrying out the terms of this Order. All courts, tribunals, or regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.
7. Each of the Applicants and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.
8. Any interested party, including the Applicants and the Monitor, may apply to this Court to vary or amend this Order on such notice provided for under the *Civil Procedure Rules* or on such notice as this Court may order.
9. This Order and all of its provisions are effective as of 12 a.m. Atlantic Standard Time on the 14th day of February, 2017.

Issued February 14, 2017

Prothonotary

Schedule "D"

2016

Hfx. No. 454744

Supreme Court of Nova Scotia

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

Order Approving Extension of Stay

Before the Honourable Justice Glen G. McDougall, in chambers

Upon Victory Farms Incorporated and Jonathan Mullen Mink Ranch Limited (the "Applicants"), having made motion for an Order to extend the stay of proceedings originally granted by order of this Court dated August 31, 2016;

An Upon reading the Report of Deloitte Restructuring Inc. (the "Monitor"), the Affidavit of Jonathan Mullen, and the other materials on file herein;

And Upon hearing from counsel for the Applicants, the Monitor, and such other counsel as appeared;

Now on motion of the Applicants the following is ordered and declared:

It is ordered that:

EXTENSION OF STAY OF PROCEEDINGS

1. The stay of proceedings is extended commencing from and including the 17th day of February, 2017, to and including April 28, 2017.

EFFECTIVE TIME & DATE

2. This Order and all of its provisions are effective as of 12:01 a.m. local time on the date of this Order.

Issued February 14, 2017

Deputy Prothonotary