

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*

REPORT OF PROPOSED MONITOR
DELOITTE RESTRUCTURING INC.
AUGUST 24, 2016

1. INTRODUCTION AND BACKGROUND

- 1.1 Deloitte Restructuring Inc. ("Deloitte") is advised that on August 31, 2016, Victory Farms Incorporated and Jonathan Mullen Mink Ranch Limited (collectively, the "Applicants"), will be making an application to the Supreme Court of Nova Scotia (the "Court") seeking certain relief under the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended (the "CCAA") in order to restructure their business affairs.
- 1.2 Deloitte is the proposed monitor (the "Proposed Monitor") in the CCAA proceedings.
- 1.3 Deloitte advises that this pre-filing report (the "Report") should be read in conjunction with the affidavit of Jonathan Mullen (the "Mullen Affidavit") and the Affidavit of Tim Hill, Q.C., which are to be filed in support of the Applicants' Application.

2. TERMS OF REFERENCE

- 2.1 In preparing this Report, the Proposed Monitor has relied upon financial information of the Applicants, discussions with the Applicants' management ("Management") and BoyneClarke LLP, the Applicants' legal counsel.
- 2.2 The financial information of the Applicants has not been audited, reviewed or otherwise verified by the Proposed 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 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 Proposed Monitor does not express an opinion or provide any other form of assurance on the financial or other information presented herein. The Proposed Monitor may refine or alter its observations as further information is obtained or brought to its attention after the date of the Report.

- 2.3 The Proposed 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 Report. Any use which any party makes of the Report, or any reliance or decisions to be made on the Report, is the sole responsibility of such party.
- 2.4 All dollar amounts identified in the Report are expressed in or converted to Canadian dollars.
- 2.5 The purpose of the Report is to inform this Court on the status of:
- (i) Deloitte's qualifications to act as Monitor (if appointed)
 - (ii) Overview of Applicants' operations and causes of insolvency
 - (iii) The Applicants' restructuring efforts to date
 - (iv) The Applicants' consolidated statement of projected cash flow
 - (v) The Applicants' potential request for an interim financing order at a future date
 - (vi) The Applicants' request for an administration charge (the "Administration Charge")

3. DELOITTE'S QUALIFICATION TO ACT AS MONITOR

- 3.1 Deloitte was retained by the Applicants on June 30, 2016 to act as their financial advisor to, among other things, advise the Applicants with respect to alternatives for financial restructuring and to act as Monitor in the event of a CCAA filing.
- 3.2 Deloitte is a Trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act*.
- 3.3 Deloitte is not subjected to any of the restrictions on who may be appointed Monitor set out in section 11.7(2) of the CCAA and, in particular, neither Deloitte nor any of its representatives have been at any time in the two preceding years:
- (i) A director, an officer or an employee of the Applicants.
 - (ii) Related to the Applicants or to any director or officer of the Applicants.
 - (iii) The auditor, accountant or legal counsel, or partner of any employee of the auditor, accountant or legal counsel, of the Applicants.
- 3.4 Deloitte is related to Deloitte LLP, which is an independent international professional services firm that provides insolvency and restructuring services. The Deloitte engagement team includes senior professionals who are Chartered Professional Accountants, Chartered Insolvency and Restructuring Professionals and Licensed Insolvency Trustees.
- 3.5 Deloitte has consented to act as Monitor of the Applicants should this Court grant the request of the Applicants for an Initial Order in the CCAA proceedings.

4. BACKGROUND, FINANCIAL POSITION AND CAUSES OF INSOLVENCY

- 4.1 As set forth in detail in the Mullen Affidavit, the Applicants, based in Digby County, Nova Scotia, operate one of the largest mink farms in Nova Scotia, with annual production in excess of 100,000 pelts.
- 4.2 The principal of the Applicants is Jonathan Mullen. Mr. Mullen has accumulated a significant amount of operating experience in the mink industry. Mr. Mullen spent the first nine years of his career working for the family mink business and the last twelve years in his own operation.
- 4.3 The share structure of the Applicants is:
- (i) Victory Farms Incorporated is 100% owned by Mr. Mullen.
 - (ii) Jonathan Mullen Mink Ranch Limited is 75% owned by Mr. Mullen and 25% owned by Julie-Ann Mullen.
- 4.4 The Proposed Monitor is advised by Management that the Applicants originally funded their operations with a Canadian chartered bank (the "Bank"). However, in and around 2010, the Bank decided to exit the mink industry and the Applicants began to rely on operating funding from American Legend Co-operative ("ALC").
- 4.5 During the initial years of funding from ALC, the Applicants were able to generate sufficient cash flow from operations to repay the operating line.
- 4.6 In addition to providing operating funding, between 2012 and 2013, ALC provided the Applicants with approximately \$4.1 million in capital to fund an aggressive expansion plan.
- 4.7 In 2014 and 2015, due to a significant decline in global mink prices, the Applicants did not generate sufficient cash flow from operations to retire the operating line from ALC.
- 4.8 In October 2015, the Applicants, North American Fur Auctions Inc. ("NAF") and ALC reached a multi-partite arrangement whereby NAF would provide working capital funding to the Applicants for the current year crop.
- 4.9 Attached to this Report and marked as Appendix A are the Internal Financial Statements of Victory Farms Incorporated and Jonathan Mullen Mink Ranch Limited as at June 30, 2016. In summary, the financial position of the Applicants is as follows:

	Victory Farms Incorporated	Jonathan Mullen Mink Ranch Limited	Combined
Current assets (Note 1)	7,351	193	7,544
Non current assets (Note 2)	5,725	1,481	7,206
Total assets	13,076	1,674	14,750
Liabilities (Note 3)			
Secured	15,410	678	16,088
Unsecured (Trade)	1,112	1,167	2,279
	16,522	1,845	18,367
Equity	(3,446)	(171)	(3,617)
Total Liabilities and Equity	13,076	1,674	14,750

Note 1: Included in the above amount is a \$2.1 million receivable from NAF that was an advance on prior year's sales proceeds and will be netted against the amount owing from Victory Farms, \$1.9 million receivable from the Agri-stability program and \$2.8 million relating to the value of the current year mink crop.

Note 2: Included in the above amount are the capital assets used in the operations of the business.

Note 3: Included in the above amount is \$7.9 million owing to ALC, \$6.4 million owing to NAF, \$900 thousand owing to Nova Scotia Farm Loan Board and \$800 thousand owing to Farm Credit Canada.

4.10 The Proposed Monitor has been advised by Management that the main causes of insolvency are:

- (i) In and around 2007, like many other mink farmers in Nova Scotia, the Applicants' herd contracted Aleutian disease ("AD"). AD is a chronic, fatal parvovirus infection that affects farm raised mink. The symptoms related to the disease are chronic and include progressive weight loss, lethargy, and the development of a rough coat. Once a mink is infected, death is certain. The spread of AD resulted in significant herd losses during years when the market price for mink was at or near all-time highs.
- (ii) Due to AD, the Applicants spent a number of years and significant capital developing a strain of AD tolerant mink. During these years, the Applicants did not have a full herd available for sale.
- (iii) Over the past couple of years, macroeconomic forces has resulted in a significant reduction in prices in the global mink market. The main factors affecting the mink industry are consecutive warm winters in China (the largest retail market for mink clothing), increased production from China and trade sanctions eliminating the Russian market for Canadian sellers.
- (iv) The magnitude of secured debts of the Applicants has put significant financial strain on the Applicants' ability to operate.

5. RESTRUCTURING EFFORTS TO DATE

- 5.1 The Applicants have taken the following steps to date to deal with the operational and financial challenges they face:
- (i) Entered into a financial relationship with NAF to provide continued financial support to the Applicants to date, along with a willingness to provide interim financing.
 - (ii) Filed and received financial assistance under the Department of Agriculture and Agri-Food's AgriStability program.
 - (iii) Taken steps to reduce operating expenses, including reducing headcount, entering into more contracted growing relationships on attractive terms and reducing feed costs.
- 5.2 In addition to the points above, the global market prices for mink have stabilized year over year while the Canadian dollar has weakened, providing the Applicants with increased revenue.
- 5.3 The Proposed Monitor has been working with the Applicants since late June and has been advised by Management on numerous occasions that it is committed to a restructuring of the Applicants (which intention is stated within the Mullen Affidavit), but the Applicants require a formal process to provide them with time and financial support to bring forth a Plan of Arrangement.

6. CASH FLOW STATEMENTS

- 6.1 The Applicants have prepared a consolidated 13-week cash flow projection for the period September 2, 2016 to November 25, 2016 (the "Cash Flow Statement"), attached as Appendix B to this Report, that has been prepared by Management of the Applicants for the purpose described in the notes to the Cash Flow Statement, using the probable and hypothetical assumptions set out in the notes to the Cash Flow Statement.
- 6.2 The Proposed Monitor's review of the Cash Flow Statement 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 Proposed Monitor's involvement with respect to them was limited to evaluating whether they were consistent with the purpose of the Cash Flow Statement. The Proposed Monitor has also reviewed the supporting documentation provided by Management of the Applicants for the probable assumptions and the preparation and presentation of the Cash Flow Statement.
- 6.3 Based on our review and the foregoing reserves and limitations, nothing has come to the attention of the Proposed Monitor that causes us to believe that, in all material respects:
- (i) the hypothetical assumptions are not consistent with the purpose of the Cash Flow Statement;
 - (ii) as at the date of this 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 Cash Flow Statement, given the hypothetical assumptions; or

- (iii) the Cash Flow Statement does not reflect the probable and hypothetical assumptions.

6.4 Since the Cash Flow Statement 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 Proposed Monitor does not express an opinion to whether the projections in the Cash Flow Statement will be achieved.

6.5 The Cash Flow Statement has been prepared solely for the purpose described in the notes to the Cash Flow Statement, and readers are cautioned that the Cash Flow Statement may not be appropriate for other purposes.

6.6 The Proposed Monitor has reviewed the Cash Flow Statements 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 Cash Flow Statement. The Applicants' herd will not be available for sale until auctions scheduled to be held during the first half of 2017.
- (ii) The Applicants currently employ 13 individuals and this number increases slightly during the period covered by the Cash Flow Statement. The Cash Flow Statement contains payments to staff at existing rates and anticipated hours through the period covered, along with statutory remittances to the Canada Revenue Agency.
- (iii) Feed costs are based on anticipated consumption levels of the herd during the period covered at existing feed prices.
- (iv) Professional fees anticipated are estimates only and do not account for retainers that have been provided to the professionals involved in the engagement.
- (v) As described at paragraph 23 of the Mullen Affidavit, the Applicants are projecting to require interim debtor in possession ("DIP") financing in the amount of \$1.5 million during the period of the Cash Flow Statement, should the same ultimately be approved by this Court. Without such DIP financing, the Applicants will not have sufficient resources to operate according to current projections.

7. INTERIM FINANCING

7.1 In order to address the Applicants' financing needs during the CCAA proceedings, the Applicants are currently finalizing DIP financing arrangements with NAF. The final terms and conditions of such DIP financing have not yet been determined.

7.2 As shown within the Cash Flow Statement, the Applicants project that they will require a capital infusion during the week ending September 23, 2016.

7.3 As noted at paragraph 23 of the Mullen Affidavit, it is currently envisaged by the Applicants that a separate motion will be scheduled with the Court within the initial 30 day stay period to request an Order authorizing DIP financing.

8. ADMINISTRATION CHARGE

8.1 The draft Initial Order provides for a charge in the amount of \$150,000 to secure payment of fees and disbursements of the Monitor, counsel to the Monitor and counsel to the Applicants incurred before and after the date of any CCAA Initial Order.

8.2 The magnitude of the Administration Charge was established based on the past history the professional firms have had in engagements of a similar size.

8.3 The Proposed Monitor is of the opinion that the Administration Charge is required to support the Applicants' restructuring efforts and is reasonable in these CCAA proceedings.

9. CONCLUSION

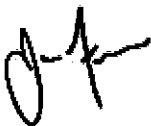
9.1 This Report has been prepared to provide this Court with information regarding Deloitte's qualification to act as Monitor, the Applicants' Background, Financial Position and Causes of Insolvency, the Applicants' Cash Flow Statement and the proposed Administration Charge sought in the Applicants' application to be heard on August 31, 2016, seeking an Initial Order under the CCAA.

All of which is respectfully submitted this 24th day of August, 2016.

DELOITTE RESTRUCTURING INC.

Acting in its capacity as
Proposed 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

**APPENDIX A: INTERNAL FINANCIAL STATEMENTS OF VICTORY FARMS INCORPORATED AND
JONATHAN MULLEN MINK RANCH LIMITED AS AT JUNE 30, 2016**

ASSET

Current Assets

Clearing Account	130,335.52	
Chequing Bank Account	45,054.23	
US Funds Account 4001251	75.59	
AgrilInvest Acct#100-401-9	10.54	
Royal Bank US exchange	0.00	
Total Cash		175,475.88
340 Co-op - Equity		939.20
Loans to Employees/etc.		0.00
Investments		1,134.00
Cash Surrender Value of Life Ins...		31,629.54
Accounts Receivable	2,289,199.43	
Accrued receivables	1,957,625.37	
Allowance for Doubtful Accounts	0.00	
Payroll Advances	0.00	
Lease: Tractors - Advance Pay...	4,000.00	
Total Receivable		4,250,824.80
Purchase Prepayments		17,612.00
Prepaid Expenses		22,041.45
Investment Tax Credit Receivable		32,805.28
U.S. Tax Withholding		16,284.41
Total Current Assets		4,548,746.56

Inventory Assets

Mink - Pelters		1,911,553.00
Total Inventory Assets		1,911,553.00

Capital Assets

Mink - Breeders		890,898.00
New Account		890,898.00

Capital Assets

Vehicles	134,521.96	
Accum. Amort.- Vehicles	-96,677.67	
Net - Vehicles		37,844.29
New Account		0.00
Investment: Jonathan Mullen Mink		1,144,128.39
Investment: BARR, Arnold		0.00
Investment: Above & Beyond Inc		466,142.87
Trinity Farms Inc		672,850.33
Organic Management Solutions ...		1,946,827.34
Land		10,366.25
Providence Farms Inc		274,742.52
Farm Purchase: Shetty Fur Farm		100,000.00
Maynard Mullen Fur Farm Purch...		5,000.00
Office Furniture & Equipment	5,014.63	
Accum. Amort -Furn. & Equip.	-2,949.79	
Net - Furniture & Equipment		2,064.84
Computers		5,040.94
Accum. amort - Computers		-4,489.14
Roadway		14,499.00
Acc Dep - Roadway		-7,785.98
Ranch		91,049.23
Accum. amort - Ranch		-12,068.77
Cages	226,203.22	
Accum. Amort: Cages	-95,874.13	
New Pens	1,257,302.64	
Other	9,255.77	
Accum. Amort: New Pens	-778,967.86	
Accum. Amort: Other	-5,471.27	
New Equipment	492,084.46	
Accum. Amort. - Equipment	-308,749.57	
Net - Ranch		795,783.26

Home Improvement	95,017.57	
Accum. Amort. - Home	-21,201.11	
Buildings - cost	119,948.66	
Less: Accum amort - Building C...	-41,684.24	
Net - Home		152,080.88
Total Capital Assets		5,694,076.25
Other Non-Current Assets		
Computer Software		0.00
Capital Lease: cost		19,200.00
Less: accumulated amortization		-17,344.58
Investment in ALC Class B stock		29,580.67
Incorporation Cost		0.00
Total Other Non-Current Assets		31,436.09
TOTAL ASSET		13,076,709.90

LIABILITY

Current Liabilities

Account Payable		622,214.52
Accounts Payable & Accrued Ex...		11,910.25
Accrued Sales Deposits		0.00
NAFA: Loans		4,195,445.12
NAFA: Loan - Feed Advance		2,196,586.28
Scotiabank Ln520435676435/Vn...		17,852.68
FCC Loan448943 27085.00		6,858.03
Lease: Furnace		0.00
2006 Chev 3/4 truck		0.00
FCC Loan #448799:168631.25		127,989.13
AmLegeng Operating Line		6,048,556.79
ALC: Term Loan #451		500,000.00
ALC: 2015 Term Loan #412		1,400,000.00
Loan #05253-96877915-004		0.00
ALC: Breeding Stock Loan		0.00
Lease: CNH BlueHolland tractor		0.00
Farm Loan Board: 750,000.00		564,238.28
Farm Credit Canada: Producer's...		0.00
Farm Credit Canada: 08 Chev		401.31
NSFLB Ln#831802JR		339,569.89
Due to/from Jason Mullen Mlnk ...		16,609.27
FCCLoan -37700.00 JMMR		0.00
FCCLoan - 38000.00 Trinity		12,334.85
Platinum: Jonathan Mullen		9,865.33
Platinum Business: 9966		4,455.25
Kubota Tractor Lease		0.00
Corporate Taxes payable		21,863.00
Vacation payable		1,736.20
EI Payable	0.00	
CPP Payable	0.00	
Federal Income Tax Payable	0.00	
Total Receiver General		0.00
WCB Payable		0.52
User-Defined Expense 2 Payable		0.00
User-Defined Expense 3 Payable		0.00
Garnishment of Wage		0.00
Payroll Bank		0.00
HST Charged on Sales	-2,243.04	
HST Charged on Sales - Rate 2	0.00	
HST Paid on Purchases	-81.96	
HST Payroll Deductions	0.00	
HST Adjustments	0.00	
HST Owning (Refund)		-2,325.00
Prepaid Sales/Deposits		0.00
Prepaid Sales/Deposits		0.00

Victory Farms Incorporated
Balance Sheet As at 06/30/2016

Total Current liabilities	16,096,161.70
Long Term liabilities	
Bank Loans	0.00
Mortgage Payable	0.00
Due: Jason Mullen	128,266.25
Due to 2351604 Nova Scotia Lim...	522,121.48
Loans from Shareholders	-358,525.34
Deferred Government Assistance	50,756.86
Deferred Investment Tax Credit	66,775.73
Deferred Income Taxes	17,050.49
Total Long Term liabilities	426,445.47
TOTAL LIABILITY	16,522,607.17
EQUITY	
Share Capital	
Capital	100.00
Preferred Shares	0.00
Total Share Capital	100.00
Retained Earnings	
Retained Earnings - Previous Year	-3,135,246.38
Dividends	-225,000.00
Current Earnings	-85,750.89
Total Retained Earnings	-3,445,997.27
TOTAL EQUITY	-3,445,897.27
LIABILITIES AND EQUITY	13,076,709.90

REVENUE

Livestock Revenue	
Mink Sales	2,483,774.69
US Exchange - Gain/Loss	-407,898.40
Commissions	-90,459.05
Misc. Sale Expense	-59,875.96
CMBA Fees	-10,179.17
Live Mink Sales	518,000.00
Net Auction Proceeds	2,433,362.11
Mink: Rentals	15,000.00
Volume Rebates/Discounts	1,680.00
Net Sales	2,450,042.11
Other Revenue	
Trinity Farms: Feed Cart (reimbu...	5,558.49
Board & Care	91,215.11
Interest Revenue	661.33
AgriStability Program	217,280.00
Total Other Revenue	314,714.93
TOTAL REVENUE	2,764,757.04
EXPENSE	
Cost of Goods Sold	
Pelting	457,078.50
Feed: Shetty Site:	17,424.75
Feed: Reg Mullen	10,479.00
Feed: Billy O'Brien	31,011.75
Feed: Victory/Maynard	502,950.00
Feed: Marshalltown	118,440.00
Feed: Bloomfield	24,949.58
Feed: Gosson site	86,166.42
Feed: Jeff Gosson	27,494.25
Feed Total	818,915.75
Vaccine/Testing	106,690.91
Ranch Expense	15,394.08
Contract/Lease Expense	4,414.03
Satellite Ranch: Bloomfield	2,957.98
Shetty Ranch	26,266.30
Contract Agreements	338,754.21
Bedding: Shavings/Hay/Straw	7,040.60
Gas & Oil	17,048.86
Propane	1,594.06
Purchase Discounts	-0.50
Freight Expense	224.79
Total Cost of Sales	1,796,379.57
Payroll Expenses	
Wages & Salaries	564,641.16
Labour: casual	1,532.50
EI Expense	11,675.00
CPP Expense	22,353.78
WCB Expense	17,516.62
P/roll Penalties, interest	16,083.14
HST Penalties/Interest	-450.21
Total Payroll Expense	633,351.99
General & Administrative Expe...	
New Holland Lease Expense: Ir...	8,970.93
Accounting & Legal	38,644.24
Fees/Registrations	18,507.21
Donations & Advertising	400.00
Credit Card Charges	2,641.66

Victory Farms Incorporated
Income Statement 10/01/2015 to 06/30/2016

Insurance	73,303.92
Interest & Bank Charges	203,119.73
Interest on Long Term Debt	23,285.61
Office Supplies	1,592.28
Property Taxes	3,726.93
Property Maintenance	2,309.89
Tools (under \$500.)	277.89
Machinery Repair & Maintenance	2,115.76
Vehicle Repair/Maintenance	10,252.01
Building Repair & Maintenance	14,954.01
Telephone	3,606.86
Travel & Entertainment	2,646.83
Meals	979.90
Utilities	9,440.71
Total General & Admin. Expen...	420,776.37
TOTAL EXPENSE	2,850,507.93
NET INCOME	-85,750.89

ASSET

Current Assets

Petty Cash	2.01	
Chequing Bank Account	3,274.88	
US Chequing: 400 144 2	16.80	
US Exchange	1.74	
Total Cash		3,295.43
Investment in ALC Class A stock		1,000.00
Investment in ALC Class B stock		10,025.42
Investment Tax Credit Receivable		95,470.45
Accounts Receivable	79,733.34	
Total Receivable		79,733.34
Prepaid Expenses		3,365.43
Total Current Assets		192,890.07

Capital Assets

Vehicles		50,669.00
Organic Management Solutions		-700.00
Acc Depreciation-Vehicle		-43,430.45
Investment: Above & Beyond Inc		-17,566.53
Trinity Farms Inc		-800.00
Property: Lighthouse Road		111,100.00
Land		93,747.38
Utilities/Security - Set up		20,315.66
Acc Dep-Utilities Set Up		-2,901.34
Acc. Depreciation-PerimeterFenc...		-33,130.55
Acc. Deprec - Ranch Manure Sy...		-42,538.64
Ranch & Manure System		250,842.38
Perimeter Fencing		49,209.66
Cages		362,202.66
Buildings		101,810.17
New Pens		745,733.23
Well		9,883.42
Acc. Depreciation - Well		-3,559.11
Acc. Deprec - Pens		-123,557.10
Acc. Deprec - Cages		-143,378.97
Acc. Deprec - Building		-17,391.54
New Equipment		86,073.99
Acc Depreciatio -NewEquipment		-50,960.16
Total Capital Assets		1,401,673.06

TOTAL ASSET 1,594,563.13

LIABILITY

Current Liabilities

Account Payable		49,232.77
Accounts payable & accrued exp...		11,434.42
FCC Loan 434323-01		6,498.13
U. S. tax withholding		-3,671.00
WCB Payable		-0.02
HST Charged on Sales	18,298.05	
HST Owing (Refund)		18,298.05
Total Current liabilities		81,792.35

Long Term liabilities

Farm Canada Credit: 350000.00		277,106.53
Farm Credit Canada: 500,000.00		395,872.70
Due: Victory Farms inc		998,892.59
Jason Mullen Mink: Loan		1,250.16
Loans from Shareholders		-1,614.34
Deferred investment tax credit		78,278.23
Total Long Term liabilities		1,749,785.87

TOTAL LIABILITY	1,831,578.22
EQUITY	
Share Capital	
Common Shares	100.00
Total Share Capital	100.00
Retained Earnings	
Dividends	-150,000.00
Retained Earnings - Previous Year	-82,387.61
Current Earnings	-4,727.48
Total Retained Earnings	-237,115.09
TOTAL EQUITY	-237,015.09
LIABILITIES AND EQUITY	1,594,563.13

REVENUE

Livestock Revenue	
US Exchange - Gain or Loss	-18.13
Contract Care	69,333.36
Total Livestock Revenue	69,315.23

Other Revenue	
Other Income	425.05
Total Other Revenue	425.05

TOTAL REVENUE	69,740.28
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EXPENSE

Cost of Goods Sold	
Ranch Expense	1,127.44
Bedding, Shavings, Straw, Hay	59.50
Gas & Oil	746.55
Freight/Delivery Expense	31.25
Total Cost of Sales	1,964.74

Payroll Expenses	
Wages & Salaries	48,701.12
EI Expense	1,281.79
CPP Expense	2,240.89
WCB Expense	1,631.47
P/roll Penalties, Interest	903.70
HST Penalties/Interest	3.07
Total Payroll Expense	54,762.04

General & Administrative Expe...	
Accounting & Legal	159.22
Fees/Subscriptions	2,002.50
Insurance	2,515.00
Interest & Bank Charges	2,131.73
Long term interest	237.19
Property Taxes	3,768.91
Property Taxes - Lighthouse Rd	372.60
Machinery Repair & Maintenance	31.57
Building Repair & Maintenance	1,082.49
Telephone/Security	1,585.18
Utilities	3,854.59
Total General & Admin. Expen...	17,740.98

TOTAL EXPENSE	74,467.76
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NET INCOME	-4,727.48
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APPENDIX B: CASH FLOW STATEMENT FOR THE PERIOD SEPTEMBER 2 TO NOVEMBER 25, 2016

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 24th day of August, 2016, consisting of weekly projections for the period September 2 to November 25, 2016.

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 Halifax, Nova Scotia this 24th day of August, 2016.

Victory Farms Incorporated
Jonathan Mullen Mink Ranch Limited

Per:



Jonathan Mullen
President

VICTORY FARMS INCORPORATED AND JONATHAN MULLEN MINK RANCH
LIMITED

ASSUMPTIONS TO THE CASH FLOW PROJECTIONS
FOR THE PERIOD SEPTEMBER 2 TO NOVEMBER 25, 2016

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 relate to ITCs claimed by the Applicants and are assumed to be received 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 are based on underlying contracts the Applicant has entered into with third parties to grow mink.

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 the shortfall in the cash flow projections and will be advanced in tranches of \$250 thousand. The DIP funding is contingent on the Court granting a DIP charge.

Deloitte.

The attached statement of projected cash flow of Victory Farms Incorporated and Jonathan Mullen Mink Ranch Limited, as of the 24th day of August, 2016, consisting of weekly projections for the period September 2 to November 25, 2016, 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.

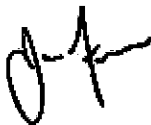
The projection has been prepared solely for the purpose described in Note A, and readers are cautioned that it may not be appropriate for other purposes.

Dated at Halifax, Nova Scotia this 24th day of August, 2016.

DELOITTE RESTRUCTURING INC.

Acting in its capacity as
Proposed Monitor of Victory Farms Incorporated
and not in its personal capacity

Per:



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

Victory Farms Incorporated and Jonathan Muljen Mink Ranch Limited
 Consolidated Cash Flow Projections
 For the 13 weeks September 2 to November 25, 2016

	1 2-Sep	2 9-Sep	3 16-Sep	4 23-Sep	5 30-Sep	6 7-Oct	7 14-Oct	8 21-Oct	9 28-Oct	10 4-Nov	11 11-Nov	12 18-Nov	13 25-Nov	Total
Opening cash	600,000	477,820	238,850	45,150	176,017	62,619	91,777	175,388	35,588	218,070	69,132	64,838	168,273	600,000
Operating inflows	-	-	-	-	32,190	-	-	-	92,468	4,734	-	-	88,515	218,307
HST	-	-	-	-	32,190	-	-	-	92,468	4,734	-	-	88,515	218,307
Total inflows	-	-	-	-	32,190	-	-	-	92,468	4,734	-	-	88,515	218,307
Operating outflows	15,504	19,177	8,478	19,177	8,686	26,003	8,478	19,177	8,642	31,858	11,201	25,286	11,506	213,074
Compensation	96,304	96,304	96,304	96,304	96,304	117,580	117,580	117,580	117,580	117,580	117,580	117,580	117,580	1,422,162
Feed costs	-	68,436	-	-	-	73,297	-	-	-	-	91,410	-	15,000	248,143
Contracted milk care	2,793	3,273	2,693	1,873	2,373	2,313	3,813	1,393	2,959	3,233	4,048	2,798	2,813	36,369
Operating expenses	6,000	50,000	84,445	-	36,445	-	34,867	-	29,156	-	29,156	-	33,156	303,225
Professional fees	1,780	1,780	1,780	1,780	1,780	1,650	1,650	1,650	1,650	900	900	900	900	19,100
Repairs and maintenance	122,180	238,970	193,700	119,133	145,587	220,843	165,388	139,800	159,987	153,671	254,295	145,564	180,555	2,242,073
Total outflows	(122,180)	(238,970)	(193,700)	(119,133)	(113,397)	(220,843)	(165,388)	(139,800)	(67,518)	(148,937)	(254,295)	(146,564)	(92,040)	(2,023,766)
Operating cash flow	477,820	238,850	45,150	(73,983)	62,619	(158,223)	(74,612)	35,588	(31,930)	69,132	(185,162)	(81,727)	76,234	(1,423,766)
Cash position (before DIP)	-	-	-	250,000	-	250,000	250,000	-	250,000	-	250,000	250,000	-	1,500,000
DIP funding	477,820	238,850	45,150	176,017	62,619	91,777	175,388	35,588	218,070	69,132	64,838	168,273	76,234	76,234
Closing cash position (after DIP)	600,000	477,820	238,850	45,150	176,017	62,619	91,777	175,388	35,588	218,070	69,132	64,838	168,273	600,000