

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***

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

May 26, 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. 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 31, 2017 up to and including February 14, 2017.
- 1.8 On February 16, 2017, the Court granted an order (the "Fourth Extension Order") extending the stay of proceedings from February 17, 2017 up to and including April 28, 2017.
- 1.9 In addition to the Fourth Extension Order granted on February 16, 2017, the Court also granted an order granting the Applicants the power to borrow up to an additional \$1.5 million from NAFA as DIP Financing (the "Second Charging Order") and authorized the Applicants to undertake a process to sell all of their assets, property and undertakings (the "Stalking Horse and Bidding Procedures Order").
- 1.10 On April 7, 2017, the Court granted an order correcting a clerical error contained within the Second Charging Order (the "Revised Second Charging Order").

- 1.11 On April 10, 2017, the Court granted an order approving the transaction contemplated by the Stalking Horse Asset Purchase Agreement dated February 9, 2017 (the "Sale Approval and Vesting Order"), and authorized the Monitor to undertake a claims process (the "Claims Procedure Order").
- 1.12 In addition, on April 10, 2017, the Court granted an order (the "Fifth Extension Order") extending the stay of proceedings from April 28, 2017 up to and including May 31, 2017.
- 1.13 On April 25, 2017, the Monitor filed its Supplemental Report to the Seventh Report of the Monitor (the "Supplemental Report") with the Court. The purpose of the Supplemental Report was to bring to the attention of the Court payments taken by a financial institution and to provide the Court with a revised cash flow forecast of the Applicants (the "Revised Fifth Extension Cash Flow Projection").

2. TERMS OF REFERENCE

- 2.1 In preparing the Eighth Report, the Monitor has relied upon financial information of the Applicants, discussions with the Applicants' management ("Management"), discussions with the Applicants' external accountant, the Applicants' legal counsel, BoyneClarke LLP, 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 Eighth 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 Eighth 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 Eighth Report. Any use which any party makes of the Eighth Report, or any reliance or decisions to be made on the Eighth Report, is the sole responsibility of such party.
- 2.4 All dollar amounts identified in the Eighth Report are expressed in or converted to Canadian dollars.
- 2.5 The purpose of this Eighth Report is to advise the Court regarding:
 - (i) the Monitor's activities since the date of the Supplemental Report;
 - (ii) the Applicants' activities since the date of the Fifth Extension Order;
 - (iii) a review of the Cash Flow Projection submitted as part of the Supplemental Report (the "Revised Fifth Extension Cash Flow Projection");
 - (iv) a revised Cash Flow Forecast of the Applicants (the "Sixth Extension Cash Flow Projection");
 - (v) an update to the Court with respect to discussions held with the financial institution regarding the payment taken as outlined in the Supplemental Report;

- (vi) an update to the Court regarding the completion of the sale of the Purchased Assets as contemplated in the Sales Approval and Vesting Order (the "Sales Closing");
- (vii) an update to the Court regarding the claims process as outlined in the Claims Procedure Order (the "Claims Process"); and
- (viii) the Applicants' request for an extension (the "Sixth Extension Order").

3. MONITOR'S ACTIVITIES

3.1 Since the date of the Supplemental Report, the Monitor's activities have included:

- (i) monitoring of the Applicants' actual cash flow and reporting on variances to the Revised Fifth Extension Cash Flow Forecast filed with the Court as part of the Supplemental Report;
- (ii) working with the Management of the Applicants to prepare the March and April monthly financial package for NAFA as required per the DIP Financing term sheet;
- (iii) working with Applicants, BoyneClarke LLP and McInnes Cooper to review and determine the origin and priority of a requirement to pay notice (the "RTP Notice") sent to Victory Farms Inc. by Canada Revenue Agency in August 2016 in respect of Jonathan Mullen and in March 2017 in respect of Julie-Ann Mullen, further discussed herein;
- (iv) working with NAFA to repay the DIP loan in two separate tranches on May 12 and May 17, 2017;
- (v) working with 3306319 Nova Scotia Limited ("3306319"), the acquirer of the Purchased Assets of the Applicants, to finalize adjustments relating to the Sales Closing;
- (vi) meeting with the Applicants' external accountant to review the Applicants' residual balance sheet and to obtain an update on the magnitude and timing of the anticipated proceeds from an AgriStability claim that was included as part of the Purchased Assets acquired by 3306319; and
- (vii) working with the Applicants to create the Sixth Extension Cash Flow Projection further discussed herein.

4. APPLICANTS' ACTIVITIES

4.1 Since the date of the Fifth Extension Order, Management of the Applicants has advised the Monitor that operations continued uninterrupted until May 5, 2017, the date of the Sales Closing.

4.2 Subsequent to the Sales Closing, the mink growing operations of the Applicants have wound down and the only commercial activities engaged in by the Applicants pertain to receipt and payment of post filing obligations.

4.3 The Applicants have continued to assist the Monitor with requests since the Fifth 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 DIP Financing.

5. ACTUAL CASH FLOW

- 5.1 The Monitor previously filed with the Court the Revised Fifth Cash Flow Projection for the 9-week period April 7 to June 2, 2017.
- 5.2 The Monitor has prepared a reconciliation of the actual cash flow for the 6-week period April 7 to May 19, 2017 as compared to the Revised Fifth Cash Flow Projection (the "Cash Flow Reconciliation"), which is contained within Appendix A to the Eighth 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 \$29 thousand relating to HST refunds is timing related. The Applicants received the March HST refund earlier than contained in the Revised Fifth Cash Flow Projection.
 - (ii) The favorable variance of \$48 thousand relating to feed costs is relating to the Sales Process closing during the week ending May 5, 2017, which is earlier than originally projected by the Monitor. In addition, during the last week of operations, the Applicants fully utilized the feed credit that existed with Sea Crest Fisheries Ltd.
 - (iii) The unfavorable variance of \$25 thousand relating to professional fees related to additional efforts required by the Monitor, its legal counsel and the Applicants' legal counsel in the completion of the Information Package relating to the Sales Process and efforts leading up to the April 7, 2017 Court hearing.
- 5.4 As mentioned herein, as at the date of the Eighth Report, the Monitor wishes to advise the Court that the DIP Financing has been fully extinguished as provided for in the Sale Approval and Vesting Order.

6. REVISED CASH FLOW PROJECTION

- 6.1 The Applicants have prepared the Sixth Extension Cash Flow Projection for the 15-week period spanning May 26 to September 1, 2017; which Sixth Extension Cash Flow Projection is enclosed as Appendix B to the Eighth Report.
- 6.2 The Monitor's review of the Sixth 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 Sixth 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 Sixth 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 Sixth Extension Cash Flow Projection;
 - (ii) as at the date of the Eighth 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 Sixth Extension Cash Flow Projection, given the hypothetical assumptions; or

- (iii) the Sixth Extension Cash Flow Projection does not reflect the probable and hypothetical assumptions.

6.4 Since the Sixth 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 Sixth Extension Cash Flow Projection will be achieved.

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

6.6 The Monitor has reviewed the Sixth Extension Cash Flow Projection and offers the following commentary:

- (i) Proceeds projected to be received under the AgriInvest program relate to funds available through a federal subsidy program. The Monitor has been in contact with representatives of AgriInvest in order to verify information provided by the Applicants.
- (ii) Proceeds projected to be received under the AgriStability program relate to funds available through a federal subsidy program intended to compensate farmers for low crop yields against historical averages. These AgriStability Claim proceeds were defined as a Purchased Asset under the Stalking Horse and Bidding Procedures Order granted by the Court and thus will be transferred to 3306319 immediately upon receipt by the Applicants.
- (iii) HST refunds are based on HST returns to be filed and not yet received by the Applicants, along with estimated future HST refunds based on recent commercial activity of the Applicants.
- (iv) Professional fees are estimates only and do not account for retainers that have been provided to the professionals involved in the engagement.
- (v) Insurance premiums relate to premiums paid on insurance policies held by the Applicants.
- (vi) Farm lease payments are based on existing arrangements that the Applicants have entered into with other mink farmers in order to lease property for services rendered prior to Sale Closing.
- (vii) Operating expenses are based on obligations incurred prior to the Sales Closing and that have yet to be paid by the Applicants.
- (viii) Repairs and maintenance amounts are based on obligations incurred by the Applicants for services rendered prior to the Sales Closing.

7. FINANCIAL INSTITUTION PAYMENT

7.1 In its Supplemental Report dated April 25, 2017, the Monitor provided the Court with an overview of a payment of approximately \$19 thousand that was taken from the Applicants' bank account.

7.2 On May 9, 2017, the Monitor, along with its legal counsel, took part in a conference call with representatives of the financial institution regarding the payment. The financial institution agreed with the Monitor that the payment taken was in contravention of the Initial Order. On

May 15, 2017, the Applicants' bank account was credited with the approximately \$19 thousand that had been taken on April 4, 2017.

- 7.3 The financial institution wanted assurances from the Monitor that post Initial Order transactions on the Visa card would be paid.
- 7.4 The Monitor obtained Visa statements from the financial institution and has determined, based on that review, that transactions totaling approximately \$3 thousand occurred post the Initial Order and do not appear to be business related. The Monitor has discussed these transactions with the Principal of the Applicants with the expectation that these funds will be reimbursed to the Applicants prior to payment to the financial institution.

8. SALES CLOSING

- 8.1 On May 8, 2017, with an effective date of May 5, 2017, the Monitor, after receiving the sales proceeds from 3306319, and obtaining confirmation from the Nova Scotia Farm Loan Board and Farm Credit Canada that satisfactory arrangements had been made regarding the outstanding debt and related security of the Applicants, filed the Monitor's Certificate with the Court as contemplated in the Sale Approval and Vesting Order, a copy of which is enclosed at Appendix C.
- 8.2 On May 8, 2017, the Monitor, along with its legal counsel, the Applicants' legal counsel and legal counsel to 3306319, held a conference call to discuss the transition of operations to ensure that a clean break occurred upon the Sales Closing.
- 8.3 On May 16, 2017, after working with the Applicants, the Monitor held a conference call with 3306319 to finalize adjustments based on the May 5, 2017 closing date. During this call, 3306319 confirmed the adjustments put forth by the Monitor and with the consent of NAFA, the Monitor netted these adjustments against the final DIP repayment tranche.
- 8.4 The Monitor and 3306319 agreed that until further investigation was performed, the insurance policies of the Applicants would be maintained as status quo and if at some point in the future they were transferred to 3306319, a further closing adjustment would be required.
- 8.5 As part of the Sale Approval and Vesting Order, there were Excluded Assets that consisted of two New Holland tractors encumbered by CNH and a Chevrolet Silverado truck encumbered by Bank of Nova Scotia.
- 8.6 As of the date of the Eighth Report, the Monitor is aware that 3306319 is in discussions with both secured parties regarding the Excluded Assets, but to the best of the Monitor's knowledge, no agreements have been consummated to date.

9. CLAIMS PROCESS

- 9.1 As mentioned herein, on April 10, 2017, the Court authorized the Monitor to undertake the Claims Procedure as outlined in the Seventh Report of the Monitor dated April 4, 2017 and reflected in the Claims Procedure Order.
- 9.2 On April 12, 2017, the Monitor provided the Claims Procedure Order and relevant claims packages and instructions to Canada Revenue Agency ("CRA"), Workers' Compensation Board of Nova Scotia ("WCBNS"), American Legend Cooperative ("ALC") and NAFA (collectively "the Designated Creditors").

CRA

- 9.3 On April 24, 2017, the Monitor received a Claim from CRA in the amount of approximately \$29 thousand relating to excise tax amounts owing for the period ending August 31, 2016.
- 9.4 On April 27, 2017, a representative of the Monitor held a telephone conversation with representatives of CRA regarding the RTP Notice sent to the Applicants. Prior to being advised of the existence of the RTP Notice by the representative of CRA, the Monitor had no knowledge of the RTP Notice. Subsequent to the conversation with CRA, the Applicants provided the Monitor with a copy of the RTP Notice. During this conversation, the representative of the Monitor advised the representative of CRA of the pending expiry date of the claims process and that a formal request for an extension would be required.
- 9.5 On April 28, 2017, the Monitor provided written communication to CRA advising that it would require a formal written request from CRA to extend the Claims Bar Date. The Monitor spoke with a representative of CRA on the afternoon of April 28, 2017 but no formal request was ever received requesting an extension on the deadline.
- 9.6 On May 5, 2017, the Monitor filed a Notice of Disallowance with CRA regarding the Claim received on April 24, 2017. CRA did not file a Dispute Notice with the Monitor within the timeframe outlined in the Claims Procedure Order.
- 9.7 On May 9, 2017, the Monitor spoke with a representative of CRA regarding the priority of the RTP Notice. The representative from CRA agreed with the Monitor's opinion that the RTP Notice was not an enhanced garnishment notice and as such has the characteristics of an unsecured claim against the Applicants.

WCBNS

- 9.8 The Monitor did not receive a Claim from WCBNS. As at the date of the Initial Order, the Applicants were indebted to WCBNS in the amount of approximately \$11 thousand. In its Second Report dated September 23, 2016, the Monitor identified that the Applicants had made payments totaling \$12 thousand to WCBNS in respect of pre-filing obligations. Subsequently, at this time the Monitor can advise that to the best of its knowledge the Applicants are current with WCBNS obligations.

ALC

- 9.9 On April 27, 2017, the Monitor received a Claim from ALC in the amount of approximately \$7.6 million relating to prior advances provided to the Applicants.
- 9.10 On May 8, 2017, the Monitor provided ALC with a Notice of Disallowance that accepted the Claim of ALC in the amount of \$3.4 million and requested further information to substantiate the remaining \$4.2 million of its Claim.

- 9.11 Subsequent to the Notice of Disallowance provided on May 8, 2017, the Monitor and its legal counsel have further reviewed the Claim received from ALC and have advised ALC and its legal counsel that further documentation is required to support any claim in excess of \$2.9 million.
- 9.12 On May 17, 2017, the Monitor held several telephone discussions with representatives of ALC. On May 18, 2017, legal counsel to the Monitor held a discussion with legal counsel to ALC regarding the Notice of Disallowance and outlining the information required.
- 9.13 On May 18, 2017, legal counsel to ALC filed a Notice of Dispute with the Monitor.
- 9.14 As at the date of the Eighth Report, the Monitor continues to hold discussions with ALC regarding the Notice of Dispute.

NAFA

- 9.15 On April 26, 2017, the Monitor received a Claim from NAFA in the amount of \$3.7 million relating to prior advances provided to the Applicants.
- 9.16 The Monitor has reviewed and accepted in full the Claim filed by NAFA on April 26, 2017.

10. DISTRIBUTION HEARING

- 10.1 In accordance with paragraph six of the Claims Procedure Order, ALC and the Monitor have 14 days from the date that a Notice of Dispute is delivered to negotiate a resolution.
- 10.2 Within 30 days following the reaching of an outcome in respect of ALC's proof of claim, the Monitor will schedule a hearing seeking direction from the Court as to distribution.
- 10.3 As at the date of the Eighth Report, and after the repayment of the DIP Financing, the Monitor is holding approximately \$1.3 million in trust. In Accordance with paragraph seven of the Sales Approval and Vesting Order, these funds are to be used to extinguish obligations incurred after the date of the Initial Order, to cover the Administrative Charge as defined in the Initial Order and to be held pending further direction from the Court.

11. STAY EXTENSION APPLICATION

- 11.1 The Monitor has been advised by the Applicants that they intend to seek the Sixth Extension Order from the Court on May 31, 2017.
- 11.2 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 Sixth Extension Order appropriate.
- 11.3 The Monitor believes that an extension up to and including August 31, 2017, will provide the Applicants with adequate time to receive the AgriStability payment and would allow the Applicants, together with the Monitor, to complete the Claims Process pursuant to the intended Claims Procedure Order and also seek a Distribution Order.

- 11.4 The Monitor is of the opinion that no creditor would be materially prejudiced by the Court granting the Sixth Extension Order as requested by the Applicants.
- 11.5 In the absence of the Sixth Extension Order being granted, the Applicants will not be in a position to complete the processes outlined in the Claims Procedure Order prior to May 31, 2017; nor will the Monitor be in a position to complete and seek a Distribution Order from the Court.

12. CONCLUSION

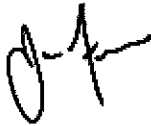
- 12.1 This Report has been prepared to provide this Court with information regarding the Monitor's activities since the date of the Supplemental Report, the Applicants' activities since the date of the Fifth Extension Order, a review of the Revised Fifth Extension Cash Flow Projection submitted as part of the Supplemental Report, a Sixth Extension Cash Flow Projection, an update on the Sales Approval and Vesting Order, an update on the Claims Procedure Order and an update on the Distribution Hearing and the Applicants' request for the Sixth Extension Order.

All of which is respectively submitted on May 26, 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

APPENDIX A: CASH FLOW RECONCILIATION

Victory Farms Incorporated and Jonathan Mullen Mink Ranch Limited
Cash Flow Reconciliation
For the weeks ending April 14, 2017 to May 19, 2017

	Projected	Cumulative Actual	Variance
Opening cash	23,519	23,519	-
Operating inflows			
Visa Recovery	18,991	18,991	-
HST	44,000	73,578	29,578
Other	-	2,912	2,912
Total inflows	62,991	95,481	32,490
Operating outflows			
Compensation	105,038	101,519	3,519
Feed costs	98,028	50,233	47,795
Contracted mink care	89,071	84,671	4,400
Operating expenses	32,165	33,158	(993)
Professional fees	64,204	89,272	(25,068)
Repairs and maintenance	9,000	7,571	1,429
Pelting costs	237,972	234,331	3,642
Total outflows	635,478	600,754	34,724
Operating cash flow	(572,487)	(505,273)	(2,233)
Cash position (before DIP)	(548,968)	(481,754)	67,214
DIP funding	600,000	565,000	(35,000)
Closing cash position (after DIP)	51,032	83,246	32,214
DIP Repayment*	-	2,777,706	-

*The above amount has been paid directly by the Monitor from funds held in trust.

APPENDIX B: SIXTH 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 26th day of May, 2017, consisting of weekly projections for the period May 26th to September 1st, 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.

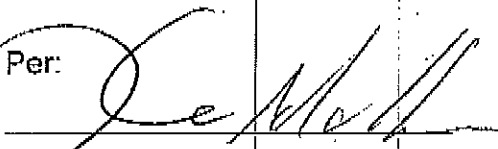
Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

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 26th day of May, 2017.

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 MAY 26 TO SEPTEMBER 1, 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 bank accounts.

Proceeds projected to be received under the AgriInvest program relate to funds projected to be received from a federal government initiative and is based on 2016 net sales.

Proceeds projected to be received under the AgriStability program relate to funds available through a federal subsidy program intended to compensate farmers for low crop yields against historical averages. The amount of these proceeds is based on recent discussions between the Applicants external accountant and representatives of Agriculture and Agri-Food Canada.

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.

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

Insurance premiums relate to premiums paid monthly on insurance policies held by the Applicants.

Farm lease payments are based on existing arrangements with other mink farmers in order to lease property. Amounts included in the enclosed cash flow projection relate to services rendered prior to May 5, 2017.

Operating expenses are based on obligations incurred prior to May 5, 2017 and expenditures required during the period covered by the projections. These operating expenses relate to utilities, accounting fees and bank fees.

Repairs and maintenance amounts are based on obligations incurred prior to May 5, 2017.

Deloitte

The attached statement of projected cash flow of Victory Farms Incorporated and Jonathan Mullen Mink Ranch Limited, as of the 26th day of May, 2017 consisting of weekly projections for the period May 26th to September 1st 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.

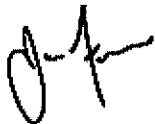
The projection has been prepared solely for the purpose described in Note A, and readers are cautioned that it may not be appropriate for other purposes.

Dated at Halifax, Nova Scotia this 26th day of May, 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)
Sixth Extension Cash Flow Projection
For the period May 26 to September 1, 2017

Week	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	Total	
Date (MM/DD/YYYY)	5/26/2017	6/2/2017	6/9/2017	6/16/2017	6/23/2017	6/30/2017	7/7/2017	7/14/2017	7/21/2017	7/28/2017	8/4/2017	8/11/2017	8/18/2017	8/25/2017	9/1/2017		
Operating cash	83,246	74,979	12,536	12,536	21,973	29,473	29,473	26,711	26,711	24,098	1,363	-	-	-	15,232	83,246	
Operating inflows	-	-	-	15,000	-	-	-	-	-	-	-	-	-	-	-	-	15,000
Proceeds from AgriInvest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	503,139
Proceeds from AgriStability	-	-	-	-	50,000	-	-	-	-	-	-	-	-	-	-	-	84,997
HST	-	2,954	-	-	-	-	-	-	-	19,765	-	-	-	-	15,232	-	2,954
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total inflows	-	2,954	-	15,000	50,000	-	-	-	-	19,765	503,139	-	-	-	15,232	606,090	
Operating outflows	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional fees	-	52,357	-	-	42,500	-	-	-	-	42,500	-	-	-	-	-	-	137,357
Insurance premiums	-	2,662	-	2,613	-	-	2,662	-	2,613	-	2,662	-	2,613	-	-	-	15,827
Farm lease payments	4,500	6,635	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,135
Operating expenses	2,513	3,742	-	2,200	-	-	100	-	-	-	100	-	-	-	-	-	8,755
Repairs and maintenance	1,254	-	-	750	-	-	-	-	-	-	-	-	-	-	-	-	2,004
Transfer of AgriStability to 3306319 NS Ltd.	-	-	-	-	-	-	-	-	-	-	503,139	-	-	-	-	-	503,139
Total outflows	8,267	65,396	-	5,563	42,500	-	2,762	-	2,613	42,500	505,901	-	2,613	-	100	678,217	
Operating cash flow	(8,267)	(62,442)	-	9,437	7,500	-	(2,762)	-	(2,613)	(22,735)	(2,762)	-	(2,613)	15,232	(100)	(72,127)	
Cash held by Applicants	74,979	12,536	12,536	21,973	29,473	29,473	26,711	26,711	24,098	1,363	-	-	-	15,232	15,132	11,120	
Transfer from Monitors Account	-	-	-	-	-	-	-	-	-	-	1,400	-	-	-	-	-	4,013
Cash held by Monitor in trust	1,298,755	1,298,755	1,298,755	1,298,755	1,298,755	1,298,755	1,298,755	1,298,755	1,298,755	1,298,755	1,297,355	1,297,355	1,294,742	1,294,742	1,294,742	1,294,742	
Total cash position	1,373,734	1,311,291	1,311,291	1,320,728	1,328,228	1,328,228	1,325,466	1,325,466	1,322,853	1,300,118	1,296,755	1,297,355	1,297,355	1,309,875	1,309,875	1,309,875	

APPENDIX C: MONITOR'S CERTIFICATE



2016

Monitor's Certificate

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

MONITOR'S CERTIFICATE

RECITALS

- A. Pursuant to an Order of the Supreme Court of Nova Scotia (the "Court") dated August 31, 2016, Deloitte Restructuring Inc. was appointed as the monitor (the "**Monitor**") of Victory Farms Incorporated and Jonathan Mullen Mink Ranch Limited (the "**Applicants**") in respect of these CCAA Proceedings.
- B. Pursuant to an Order of the Court dated April 17, 2017 (the "**Sale Approval and Vesting Order**") the Court approved an asset sale transaction (the "**Transaction**") between the Applicants, as vendors, and North American Fur Auctions Inc., as the purchaser (the "**Purchaser**"), as reflected in a Stalking Horse Asset Purchase Agreement dated as at February 9, 2017 (the "**APA**"), for purchase and sale of the Applicants' right, title and interest in and to the assets and business undertaking of the Applicants described in the APA and the Sale Approval and Vesting Order (the "**Purchased Assets**"), foreclosed and forever barred as against the Purchased Assets and the Purchaser all "Claims" and "Encumbrances", (both terms as defined in the Sale Approval and Vesting Order and/or the Claims Procedure Order granted on April 7, 2017), and provided for the vesting in the Purchaser or the Purchaser's assignee, nominee or designate as the case may be, of the Applicants' right, title and interest in and to the Purchased Assets free and clear of any such Claims or Encumbrances, which foreclosure and vesting is to be effective with respect to the Purchased Assets upon the delivery to the Purchaser, or the Purchaser's assignee, nominee or designate as the case may be, of a certificate issued by the Monitor confirming (i) that the conditions to closing as set out in the APA have been satisfied or waived by the Applicants and the Purchaser (as applicable); and (ii) the Transaction has been completed to the satisfaction of the Monitor.
- C. Pursuant to the Sale Approval and Vesting Order, the Monitor may rely on written notice from the Applicants and the Purchaser regarding fulfilment of conditions to closing under the APA.
- D. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the APA.

THE MONITOR CERTIFIES the following:

- 1. The Purchaser, or the Purchaser's assignee, nominee or designate as the case may be, has paid and the Monitor has received (on May 5, 2017, but which receipt was confirmed on May 8, 2017) the Purchase Price for the Purchased Assets payable on the Closing Date pursuant to the APA;
- 2. The Applicants and the Purchaser have each delivered written notice to the Monitor that all applicable conditions under the APA have been satisfied and/or waived, as applicable; and
- 3. The Transaction has been completed to the satisfaction of the Monitor.

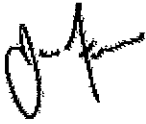
4. The Purchaser's assignee, nominee or designate is 3306319 Nova Scotia Limited.

5. This Certificate was delivered by the Monitor on May 8, 2017 at 11 o'clock in the forenoon with an effective date of May 5, 2017 at 4 o'clock in the afternoon.

DELOITTE RESTRUCTURING INC.

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

Per:



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