

**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***

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

January 27<sup>th</sup>, 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.

**2. TERMS OF REFERENCE**

- 2.1 In preparing the Fifth 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 Fifth 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 Fifth 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 Fifth Report. Any use which any party makes of the Fifth Report, or any reliance or decisions to be made on the Fifth Report, is the sole responsibility of such party.
- 2.4 All dollar amounts identified in the Fifth Report are expressed in or converted to Canadian dollars.
- 2.5 The purpose of this Fifth Report is to inform this Court on the status of:
- (i) the Monitor's activities since the date of the Third Report;
  - (ii) the Applicants' activities since the date of the Second Extension Order;
  - (iii) a review of the Cash Flow Projection submitted as part of the Third Report (the "Second Extension Cash Flow Projection");
  - (iv) a revised Cash Flow Forecast of the Applicants (the "Third Extension Cash Flow Projection"); and
  - (v) the Applicants' request for an extension (the "Third Extension Order").

### **3. MONITOR'S ACTIVITIES**

- 3.1 Since the date of the Third Report, the Monitor's activities have included:
- (i) filing with the Court the Fourth Report of the Monitor discussed herein;
  - (ii) monitoring of the Applicants' actual cash flow and reporting on a weekly basis variances to the Second Extension Cash Flow Forecast filed with the Court as part of the Applicants' Motion for the Second Extension Order;
  - (iii) working with Management of the Applicants to prepare the November and December monthly financial package for NAFA as required per the DIP Financing term sheet;
  - (iv) completing an inventory count of the mink herd during the week of November 28, 2016, which was just prior to the beginning of the harvest;
  - (v) obtaining and reviewing a security review on the registered encumbrances from McInnes Cooper, legal counsel to the Monitor;
  - (vi) working in conjunction with Management of the Applicants, their legal counsel BoyneClarke LLP and McInnes Cooper, legal counsel to the Monitor, to prepare a preliminary liquidation analysis as at December 31, 2016; a document that was previously shared with the secured creditors of the Applicants;
  - (vii) working with the Applicants to create the Third Extension Cash Flow Projection further discussed herein;
  - (viii) holding discussions with Management of the Applicants along with their legal counsel regarding potential restructuring alternatives available to the Applicants; and
  - (ix) corresponding with creditors of the Applicants and/or their legal representatives, including but not limited to Canada Revenue Agency ("CRA"), Farm Credit Canada, Nova Scotia Farm Loan Board, NAFA and American Legend Co-operative ("ALC").

#### **4. APPLICANTS' ACTIVITIES**

- 4.1 Since the date of the Second Extension Order, Management of the Applicants has advised the Monitor that operations have continued uninterrupted.
- 4.2 During the first several weeks of December, approximately 45 thousand pelts were harvested, bringing the year to date total to 65 thousand. Management of the Applicants is currently performing 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 during the month 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 receive regular site visits from representatives of NAFA. On December 14, 2016 and January 9, 2017 respectively, the Monitor received correspondence from a representative of NAFA providing positive commentary on the quality of the remaining herd. A copy of this correspondence is contained within Appendix A and Appendix B, respectively, to the Fifth Report.
- 4.4 The Applicants have continued to assist the Monitor with requests since the Second Extension Order, including working with the Monitor's staff to complete weekly cash flow reconciliations, assisting the Monitor during the inventory count and assisting the Monitor in the preparation of the November and December monthly financial package for NAFA.
- 4.5 The Monitor has been advised by the Applicants and their legal counsel that preliminary meetings have been held among the Applicants and their senior secured creditors to discuss potential restructuring alternatives. The Monitor has been advised by legal counsel to the Applicants that as at the date of the Fifth Report, discussions are ongoing with ALC.

#### **5. ACTUAL CASH FLOW**

- 5.1 The Monitor previously filed with the Court the Second Extension Cash Flow Projection for the 13-week period November 25 to February 17, 2017; a period of time which extended beyond the scope of the Second Extension Order.
- 5.2 The Monitor has prepared a reconciliation of the actual cash flow for the 9-week period November 25, 2016 to January 20, 2017 as compared to the Second Extension Cash Flow Projection (the "Cash Flow Reconciliation"), which is contained within Appendix C to the Fifth 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 \$35 thousand relating to compensation is attributable to lower than projected payroll during the period and the corresponding reduction in employer remittances. The Monitor has continued to review the books and records of the Applicants and can advise that remittances to CRA and other government remittances remain current.
  - (ii) The favorable variance of \$98 thousand relating to feed costs is attributable to lower than expected consumption levels during the period and a delay in the anticipated price increase that was expected to occur on January 1, 2017. As at the date of the Fifth Report, the anticipated price increase has not been implemented by the feed supplier.
  - (iii) The favorable variance of \$89 thousand relating to contracted mink care is timing-driven and relates to the fact that the settlement of 2016 mink care contracts, outside of the contract with Trinity, has not yet occurred. The Applicants understand

that the 340 Co-op must provide final count numbers prior to the final reconciliation occurring, and the receipt of that information is presently awaited by the Applicants. This is expected to occur prior to the end of January 2017.

- (iv) The favorable variance of \$101 thousand relating to pelting costs is timing-driven. The Applicants had initially anticipated that they would be invoiced by this point for the pelting cost of mink harvested in October 2016, however, the pelting provider has not invoiced the Applicants to date. The Applicants anticipate that these costs will now be pushed out into the period covered by the Third Extension Cash Flow Projection.
- (v) The favorable variance of \$13 thousand relating to HST is timing-related and relates to the October to December 2016 estimated HST liability for Jonathan Mullen Mink Ranch Limited that is not due to be paid until January 31, 2017.
- (vi) The favorable variance of \$225 thousand relating to DIP financing is attributable to the lower than anticipated disbursements during the period.

5.4 As at the date of the Fifth Report, the DIP Financing has been advanced \$1.3 million of the \$1.5 million maximum allowed.

## **6. REVISED CASH FLOW PROJECTION**

6.1 The Applicants have prepared the Third Extension Cash Flow Projection for the 13-week period spanning January 27 to April 21, 2017; which Third Extension Cash Flow Projection is enclosed as Appendix D to the Fifth Report.

6.2 The Monitor's review of the Third 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 Third 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 Third 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 Third Extension Cash Flow Projection;
- (ii) as at the date of the Fifth 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 Third Extension Cash Flow Projection, given the hypothetical assumptions; or
- (iii) the Third Extension Cash Flow Projection does not reflect the probable and hypothetical assumptions.

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

- 6.5 The Third Extension Cash Flow Projection has been prepared solely for the purpose described in the notes to the Third Extension Cash Flow Statement, and readers are cautioned that the Third Extension Cash Flow Projection may not be appropriate for other purposes.
- 6.6 The Monitor has reviewed the Third 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 Third Extension Cash Flow Projection. The Applicants' herd will not be available for sale until auctions scheduled to be held during the first half of 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) Professional fees are estimates only and do not account for retainers that have been provided to the professionals involved in the engagement.
  - (v) Pelting costs are based on the existing market prices and based on 80 thousand pelts being harvested.
- 6.7 The Applicants are not projecting to require additional DIP Financing above the existing amount approved under the Charging Order during the period covered by the Third Extension Order. However, the Monitor wishes to bring to the Court's attention that the Applicants will require additional DIP Financing in the event a further extension is sought beyond February 17, 2017. Additionally, the Applicants have incurred post-Initial Order liabilities in excess of the DIP Financing approved in the Charging Order, some of which liabilities may be subject to possessory lien rights on the part of the affected trade creditors, arising under common law or applicable statute.

## **7. STAY EXTENSION APPLICATION**

- 7.1 The Monitor has been advised by the Applicants that they intend to seek the Third Extension Order from the Court on January 30, 2017.
- 7.2 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 circumstances exist that make the Third Extension Order appropriate;
  - (ii) that the Applicants have acted and continue to act in good faith; and
  - (iii) that the Applicants have acted and continue to act with due diligence.
- 7.3 The Monitor believes that an extension up to and including February 17, 2017 will provide the Applicants with adequate time to engage in formal discussions with their creditors, which will allow them to formulate a Plan of Arrangement. The Monitor has held detailed discussions with Management of the Applicants and their legal counsel around what a restructuring plan of the Applicants would entail.
- 7.4 The Monitor is of the opinion that no creditor would be materially prejudiced by the Court granting the Third Extension Order as requested by the Applicants.

- 7.5 In the absence of the Third Extension Order being granted, the Applicants will not be in a position to file a Plan of Arrangement on or before January 31, 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 unsecured creditors.

**8. CONCLUSION**

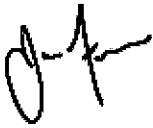
- 8.1 This Report has been prepared to provide this Court with information regarding the Monitor's activities since the date of the Third Report, the Applicants' activities since the date of the Second Extension Order, a review of the Second Extension Cash Flow Projection submitted as part of the Second Extension Order, a review of the Cash Flow Reconciliation, a Third Extension Cash Flow Projection, and the Applicants' request for the Third Extension Order.

All of which is respectively submitted on January 27, 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: December 14, 2016 Correspondence with NAFA**

**From:** [Wayne Booth](#)  
**To:** [Macleod, Kurt \(CA - Halifax\)](#)  
**Cc:** [Foran, James \(CA - Halifax\)](#); [Doug Lawson](#)  
**Subject:** RE: November - Update  
**Date:** Wednesday, December 14, 2016 1:18:39 PM

---

Good morning Kurt,

Thank you for reaching out to NAFA for further advice.

November is arguably the most intense month on a mink ranch. All the potential breeding stock animals get blood-tested for AD disease using the iodine test. This on-farm test quickly determines the health status of the animal and directs the farm as to whether it gets pelted or further considered for live fur grading. I personally visited 2 of the Victory Farms locations during the 3<sup>rd</sup> week of November location and at that time I believe the blood testing was coming back 75-80% negative for iodine testing. FYI, this is improved from less than 50% negative just a couple seasons ago. Since that time, many mink have been harvested, of which their pelts have been viewed at the pelting plant as healthy. We know this because of the absence of white hairs (which indicates sickness or disease), high good quality shiny guard hair fur, full, complete underfur (no patches) and no signs of foot pad disease/lesions or congested eyes.

Best regards,

**Wayne Booth B. Sc. (Agr)**

Director, Rancher Relations Canada

North American Fur Auctions Inc.  
65 Skyway Avenue  
Toronto, Ontario, Canada  
M9W 6C7

T: 416.213.2489  
C : 416.803.8643  
[w\\_booth@nafa.ca](mailto:w_booth@nafa.ca)  
[www.nafa.ca](http://www.nafa.ca)

**From:** Macleod, Kurt (CA - Halifax) [mailto:kmacleod@deloitte.ca]  
**Sent:** Wednesday, December 14, 2016 9:20 AM  
**To:** Wayne Booth <w\_booth@nafa.ca>  
**Cc:** Foran, James (CA - Halifax) <jforan@deloitte.ca>; Doug Lawson <dlawson@nafa.ca>  
**Subject:** November - Update

Good morning Wayne,

Deloitte is currently working with Victory Farms to complete the November report for NAFA. Last month you provided via email an update regarding the health of the crop and we were wondering if you could offer an update at this time?



Thank you for your assistance.

Regards,

--

**Kurt MacLeod, MBA**

Associate | Financial Advisory

Deloitte

1969 Upper Water Street, Halifax, Nova Scotia, B3J 3R7, Canada

D: 1 (902) 721 5602 | M: 1 (902) 430 9930

[kmacleod@deloitte.ca](mailto:kmacleod@deloitte.ca) | [deloitte.ca](http://deloitte.ca)

--



**Deloitte.**

NATIONAL  
PARTNER

[LinkedIn](#) | [Facebook](#) | [Twitter](#) | [YouTube](#)

--

Please consider the environment before printing.

#### Confidentiality Warning:

This message and any attachments are intended only for the use of the intended recipient(s), are confidential, and may be privileged. If you are not the intended recipient, you are hereby notified that any review, retransmission, conversion to hard copy, copying, circulation or other use of this message and any attachments is strictly prohibited. If you are not the intended recipient, please notify the sender immediately by return e-mail, and delete this message and any attachments from your system. Thank You

If you do not wish to receive future commercial electronic messages from Deloitte, forward this email to [unsubscribe@deloitte.ca](mailto:unsubscribe@deloitte.ca)

#### Avertissement de confidentialité:

Ce message, ainsi que toutes ses pièces jointes, est destiné exclusivement au(x) destinataire(s) prévu(s), est confidentiel et peut contenir des renseignements privilégiés. Si vous n'êtes pas le destinataire prévu de ce message, nous vous avisons par la présente que la modification, la retransmission, la conversion en format papier, la reproduction, la diffusion ou toute autre utilisation de ce message et de ses pièces jointes sont strictement interdites. Si vous n'êtes pas le destinataire prévu, veuillez en aviser immédiatement l'expéditeur en répondant à ce courriel et supprimez ce message et toutes ses pièces jointes de votre système. Merci.

Si vous ne voulez pas recevoir d'autres messages électroniques commerciaux de Deloitte à l'avenir, veuillez envoyer ce courriel à l'adresse [unsubscribe@deloitte.ca](mailto:unsubscribe@deloitte.ca)

**Appendix B: January 9, 2017 Correspondence with NAFA**

**From:** [Wayne Booth](#)  
**To:** [Macleod, Kurt \(CA - Halifax\)](#)  
**Cc:** [Doug Lawson](#)  
**Subject:** RE: December - Update  
**Date:** Monday, January 9, 2017 9:41:15 AM

---

Good morning Kurt

I have not visited in-depth Victory Farms recently, but will be visiting late next week. Regardless, they are very good at communicating any health or production changes, thus I expect no changes since the last report. Traditionally, this is a slower time of year, finishing up live-grading and wintering mink therefore the risk of health and management changes is very low.

I will have a better report for you next month.

**Wayne Booth B. Sc. (Agr)**

Director, Rancher Relations Canada

North American Fur Auctions Inc.  
65 Skyway Avenue  
Toronto, Ontario, Canada  
M9W 6C7

T: 416.213.2489  
C : 416.803.8643  
[w\\_booth@nafa.ca](mailto:w_booth@nafa.ca)  
[www.nafa.ca](http://www.nafa.ca)

---

**From:** Macleod, Kurt (CA - Halifax) [<mailto:kmacleod@deloitte.ca>]  
**Sent:** Monday, January 9, 2017 8:12 AM  
**To:** Wayne Booth <[w\\_booth@nafa.ca](mailto:w_booth@nafa.ca)>  
**Subject:** December - Update

Good morning Wayne,

Deloitte is currently working with Victory Farms to complete the December report for NAFA. Last month you provided via email an update regarding the health of the crop and we were wondering if you could offer an update at this time?

Thank you for your assistance.

Regards,

--  
**Kurt MacLeod, MBA**  
Associate | Financial Advisory  
Deloitte  
1969 Upper Water Street, Halifax, Nova Scotia, B3J 3R7, Canada  
D: 1 (902) 721 5602 | M: 1 (902) 430 9930  
[kmacleod@deloitte.ca](mailto:kmacleod@deloitte.ca) | [deloitte.ca](http://deloitte.ca)  
--

## Appendix C: Cash Flow Reconciliation

**Victory Farms Incorporated and Jonathan Mullen Mink Ranch Limited**  
**Cash Flow Reconciliation**  
**For the period November 25, 2016 to January 20, 2016**

	Cumulative			Notes
	Projected	Actual	Variance	
Opening cash	8,680	8,680	-	
Operating inflows				
Other	-	4,059	4,059	
HST	176,866	173,982	(2,884)	
Total inflows	176,866	178,041	1,175	
Operating outflows				
Compensation	169,811	134,971	34,840	1
Feed costs	335,878	238,000	97,878	2
Contracted mink care	162,103	73,477	88,626	3
Operating expenses	17,606	18,409	(802)	
Professional fees	133,625	126,740	6,885	
Repairs and maintenance	11,874	5,492	6,382	
Pelting Costs	101,200	-	101,200	4
DIP Interest	9,218	-	9,218	
HST	12,978	-	12,978	6
Total outflows	954,293	597,087	357,206	
Operating cash flow	(777,427)	(419,046)	358,381	
Cash position (before DIP)	(768,747)	(410,366)	358,381	
DIP funding	725,000	500,000	(225,000)	7
Closing cash position (after DIP)	(43,747)	89,634	133,381	

## Appendix D: Third 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 27<sup>th</sup> day of January, 2017, consisting of weekly projections for the period January 27<sup>th</sup> to April 21<sup>st</sup>, 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.

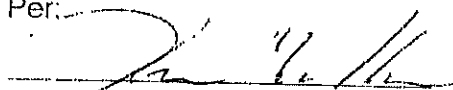
Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

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 26<sup>th</sup> day of January, 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 JANUARY 27 TO APRIL 21, 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 27<sup>th</sup> day of January, 2017 consisting of weekly projections for the period January 27<sup>th</sup> to April 21<sup>st</sup>, 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 27<sup>st</sup> day of January, 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)  
 Third Extension Cash Flow Projection  
 For the period January 27 to April 21, 2017

Week	1	2	3	4	5	6	7	8	9	10	11	12	13	Total	
Date (MM/DD/YYYY)	1/27/2017	2/3/2017	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		
Opening cash	89,634	47,003	83,264	45,004	33,427	(18,447)	(198,785)	(235,740)	(335,280)	(371,516)	(461,784)	(589,142)	(604,530)	89,634	
Operating inflows	-	-	-	40,000	-	-	-	-	30,000	-	-	-	29,561	-	99,561
HST	-	-	-	40,000	-	-	-	-	30,000	-	-	-	29,561	-	99,561
Total inflows	-	-	-	40,000	-	-	-	-	30,000	-	-	-	29,561	-	99,561
Operating outflows	15,836	15,888	18,115	13,056	17,361	18,604	20,142	14,639	20,020	17,224	21,628	9,574	19,644	221,730	
Compensation	20,000	19,475	17,852	16,229	14,606	14,606	14,606	13,693	13,693	13,693	13,693	18,257	18,257	208,660	
Feed costs	1,500	52,584	-	-	-	94,920	-	84,000	-	-	89,920	-	-	322,924	
Contracted mink care	4,084	9,443	1,443	1,443	6,558	1,358	1,358	1,358	1,673	21,002	1,268	1,268	-	53,518	
Operating expenses	-	14,000	-	20,000	-	50,000	-	15,000	-	25,000	-	15,000	-	139,000	
Professional fees	1,213	2,350	850	850	850	850	850	850	850	850	850	850	850	12,913	
Repairs and maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	404,800	
Pelting Costs	-	-	-	-	12,500	-	-	-	-	-	-	-	-	25,000	
DIP Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
HST	-	13,000	-	-	-	-	-	-	-	12,500	-	-	-	5,806	
Total outflows	42,632	126,739	38,260	51,577	51,874	180,338	36,956	129,540	36,236	90,269	127,358	44,949	450,624	1,407,350	
Operating cash flow	(42,632)	(126,739)	(38,260)	(11,577)	(51,874)	(180,338)	(36,956)	(99,540)	(36,236)	(90,269)	(127,358)	(15,388)	(450,624)	(1,307,789)	
Cash position (before DIP)	47,003	(79,736)	45,004	33,427	(18,447)	(198,785)	(235,740)	(335,280)	(371,516)	(461,784)	(589,142)	(604,530)	(1,055,155)	(1,218,155)	
DIP Financing	-	183,000	-	-	-	-	-	-	-	-	-	-	-	163,000	
Cash position (after DIP)	47,003	83,264	45,004	33,427	(18,447)	(198,785)	(235,740)	(335,280)	(371,516)	(461,784)	(589,142)	(604,530)	(1,055,155)	(1,055,155)	