

FEB - 9 2017

2016

Hfx. No. 454744

Supreme Court of Nova Scotia

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

6th Affidavit of Jonathan Mullen

1. I am Jonathan Mullen, and I am president of both Victory Farms Incorporated ("VFI") and Jonathan Mullen Mink Ranch Limited ("JMMR"), collectively "the Applicants".
2. I have personal knowledge of the evidence sworn to in this affidavit except where otherwise stated to be based on information and belief.
3. I state, in this affidavit, the source of any information that is not based on my own personal knowledge, and I state my belief of the source.
4. I refer to and incorporate as my evidence in this my Affidavit the statements averred to in my affidavits filed in this matter on August 24, 2016, September 12, 2016, September 23, 2016, November 18, 2016, and January 30, 2017.

ACTIVITY SINCE JANUARY 30, 2017

5. Since the granting of the Extension Order on January 30, 2017, management of the Applicants has:
 - (a) Substantially completed the harvest of the 2016 crop of mink;
 - (b) Continued with the process of fur grading selection, size selection and blood testing;
 - (c) Made arrangements with North American Fur Auctions Inc. ("NAFA") for the sale of the harvested pelts in the May, 2017, auction.
 - (d) With the assistance of counsel and the monitor, continued discussion with secured creditors exploring the possibilities for an acceptable Plan of Arrangement; and
 - (e) Entered into discussions with NAFA with a view to selling all of the assets and undertakings of the Applicants in a stalking horse bid process, wherein NAFA will fulfill the stalking horse role.
6. I am advised by the Applicants' counsel, Tim Hill, Q.C., and verily believe, that discussions through counsel with American Legend Cooperative ("ALC") have not born fruit, and that ALC is not prepared to agree to a Plan of Arrangement acceptable to the Applicants.
7. I am further advised by the Applicants' counsel, Tim Hill, Q.C., and verily believe, that without the agreement of ALC, no Plan of Arrangement can meet the voting requirements of the *Companies' Creditors Arrangement Act*.

2016

Hfx. No. 454744

Supreme Court of Nova Scotia

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

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

A Barrister of the Supreme Court
Of Nova Scotia

ASSET PURCHASE AGREEMENT

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

BETWEEN:

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

- and -

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

WHEREAS:

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

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

INTERPRETATION

1.1 Defined Terms

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

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

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

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

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

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

1.2 Currency

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

1.3 Sections and Headings

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

1.4 Number, Gender and Persons

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

1.5 Entire Agreement

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

1.6 Bidding Procedures Order

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

1.7 Time of Essence

Time shall be of the essence of this Agreement.

1.8 Applicable Law

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

1.9 Successors and Assigns

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

1.10 Severability

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

1.11 Amendments and Waivers

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

1.12 Schedules

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

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

PURCHASE AND SALE OF ASSETS

1.13 Agreement to Sell and Purchase

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

1.14 Excluded Assets

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

1.15 Liabilities

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

PURCHASE PRICE

1.16 Purchase Price

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

1.17 Allocation of Purchase Price

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

1.18 Payment of Purchase Price

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

1.19 Harmonized Sales Tax Election

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

REPRESENTATIONS AND WARRANTIES OF THE VENDORS

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

1.20 Corporate Authority and Binding Obligation

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

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

1.21 Contractual and Regulatory Approvals

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

1.22 No Other Agreements to Purchase

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

1.23 No Violation

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

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

1.24 Condition of Purchased Assets

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

1.25 Taxes

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

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

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

1.26 Residency

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

1.27 Full Disclosure

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

1.28 Employees

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

1.29 Employment Contracts

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

1.30 Licences

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

1.31 No Orders

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

1.32 Books and Records

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

1.33 Premises

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

1.34 Representations and Warranties True and Accurate on Closing

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

REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

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

1.35 Authorization

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

1.36 No Violation

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

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

1.37 Consents and Approvals

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

1.38 Residency

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

NON-WAIVER; SURVIVAL

1.39 Non-Waiver

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

COVENANTS

1.40 Access to Assets and Records

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

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

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

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

1.41 Confidential Information

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

CONDITIONS OF CLOSING

1.42 Conditions of Closing in Favour of the Purchaser

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

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

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

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

1.43 Conditions of Closing in Favour of the Vendors

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

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

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

CLOSING DATE AND TRANSFER OF POSSESSION

1.44 Place of Closing

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

1.45 Vendors' Deliverables

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

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

1.46 Purchaser's Deliverables

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

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

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

1.47 Further Assurances

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

MISCELLANEOUS

1.48 Notices

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

To: the Vendors at

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

Attention Tim Hill, Q.C.

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

To: the Purchaser at

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

Attention Brian Stilwell

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

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

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

1.49 Best Efforts

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

1.50 Fees

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

1.51 Counterparts

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

[signature page follows]

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

SIGNED, SEALED AND DELIVERED in
the presence of:

Witness

Witness

Witness

VICTORY FARMS INCORPORATED

Per: _____
Jonathan Mullen - President

JONATHAN MULLEN MINK RANCH LIMITED

Per: _____
Jonathan Mullen - President

NORTH AMERICAN FUR AUCTIONS INC.

Per: _____
Doug Lawson – Senior Vice-President

SCHEDULE "A"
Bidding Procedures Order

SCHEDULE "B"

Employees

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

SCHEDULE "C"

Equipment

SCHEDULE "D"

Real Property with Permitted Encumbrances

SCHEDULE "E"

Excluded Assets

SCHEDULE "F"

Purchase Price Allocation

| Asset | Allocation of Purchase Price |
|--------------|-------------------------------------|
| | |
| | |
| | |
| | |
| | |

2016

Hfx. No. 454744

Supreme Court of Nova Scotia

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

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

A Barrister of the Supreme Court
Of Nova Scotia

2nd Interim Financing Term Sheet

Dated as of February 9, 2017

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

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

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

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

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

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

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

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

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

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

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

Repayment: Expiry of the term.

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

Covenants: Borrower agrees:

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

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

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

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

Reporting:

Monthly within 30 days of month end

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

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

Annually within 60 days of fiscal year

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

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

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

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

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

North American Fur Auctions Inc.,
Interim Lender
Per:

Name: Douglas Lawson, Senior Vice
President & CFO

Victory Farms Incorporated, Borrower
Per:

Name: Jonathan Mullen, President

Jonathan Mullen Mink Ranch Limited,
Borrower
Per:

Name: Jonathan Mullen, President