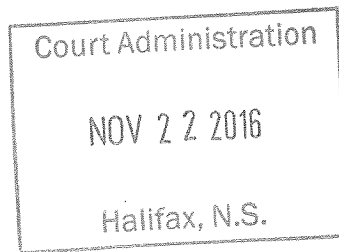


2016



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*

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

NOVEMBER 21st, 2016

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") authorizing the Applicants the ability 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 Deloitte advises that this report (the "Third Report") should be read in conjunction with the Fourth Affidavit of Jonathan Mullen (the "Mullen Affidavit"), which has been filed in support of the Applicants' motion for a further extension of the stay of proceedings in this matter.

2. TERMS OF REFERENCE

- 2.1 In preparing the Third Report, the Monitor has relied upon financial information of the Applicants, discussions with the Applicants' management ("Management"), correspondence with NAFA and BoyneClarke LLP, the Applicants' legal counsel.
- 2.2 The financial information of the Applicants has not been audited, reviewed or otherwise verified by the 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 Third 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 Third 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 Third Report. Any use which any party makes of the Third Report, or any reliance or decisions to be made on the Third Report, is the sole responsibility of such party.
- 2.4 All dollar amounts identified in the Third Report are expressed in or converted to Canadian dollars.
- 2.5 The purpose of the Third Report is to inform this Court on the status of:
- (i) The Monitor's activities since the date of the Second Report
 - (ii) The Applicants' activities since the date of the First Extension Order
 - (iii) A review of the Cash Flow Projection submitted as part of the Second Report (the "First Extension Cash Flow Projection")
 - (iv) A revised Cash Flow Forecast of the Applicants (the "Second Extension Cash Flow Projection")
 - (v) The Applicants' request for an extension (the "Second Extension Order").

3. MONITOR'S ACTIVITIES

- 3.1 Since the date of the Second Report, the Monitor's activities have included:
- (i) arranging for materials relating to the CCAA Proceedings be published online at the Monitor's website, which is located at <http://www.insolvencies.deloitte.ca/en/VictoryFarms>;
 - (ii) implementing procedures for monitoring the Applicants' actual cash flow and for ongoing reporting of variances to the First Extension Cash Flow Forecast filed with the Court as part of the Applicants' First Extension Application Record;
 - (iii) working with the Applicants to create the Second Extension Cash Flow Projection further discussed herein;
 - (iv) working with Castle Appraisals Ltd. to perform an appraisal on the personal property assets of the Applicants;
 - (v) working with Ingram Varner and Associates to perform an appraisal on the real property assets of the Applicants;

- (vi) engaged McInnes Cooper, legal counsel to the Monitor, to perform a security review on the registered encumbrances against the Applicants;
- (vii) worked with Management of the Applicants to prepare the October monthly financial package for NAFA as required per the DIP term sheet, a copy of which is enclosed as Appendix A to the Third Report;
- (viii) commenced work on creating a realization schedule in the event of a liquidation;
- (ix) performed research on current market conditions for mink pelts based on recent auction results;
- (x) held discussions with Management of the Applicants, along with its legal counsel, regarding potential restructuring alternatives available to the Applicants; and
- (xi) corresponding with creditors of the Applicants.

4. APPLICANTS' ACTIVITIES

- 4.1 Since the date of the First Extension Order, Management of the Applicants has advised the Monitor that operations have continued uninterrupted. As part of the normal operating plan, approximately 20,000 pelts were harvested during October and are currently in storage.
- 4.2 The Applicants have continued to receive regular site visits from representatives of NAFA. On November 11, 2016, the Monitor received correspondence from a representative of NAFA providing positive commentary on the quality of the existing herd. A copy of this correspondence is contained within Appendix A to the Third Report.
- 4.3 Subsequent to the First Extension Order, the Applicants consolidated their feed suppliers to one vendor to realize significant cost savings. The Monitor discussed this change with both the Applicants and their legal counsel prior to its implementation. The Monitor was advised by legal counsel to the Applicants that no long-term contractual obligation existed and as such, notice under section 32 of the CCAA was not required.
- 4.4 The Applicants have continued to assist the Monitor with requests since the First Extension Order, including working with the Monitor's staff and external third parties to complete the external appraisals and assisting the Monitor with preparing the October 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 to discuss potential restructuring alternatives.
- 4.6 In its Second Report, the Monitor advised the Court concerning the magnitude of pre-filing payments made by the Applicants since the date of the Initial Order. The Monitor has continued to review the disbursements of the Applicants and wishes to provide an update to the Court.
- 4.7 In early 2016, Victory Farms Inc. ("Victory") entered into an arrangement for mink care with Trinity Farms Inc. ("Trinity"), a related party owned 100% by Jonathan Mullen. The terms of the agreement stipulated that Victory was to provide Trinity with a monthly payment of

approximately \$33 thousand inclusive of HST for the months January to September, 2016. It is the Monitor's understanding that at the time of the Initial Order, Victory's payment obligation to Trinity was in arrears.

- 4.8 Subsequent to the Initial Order, and upon further discussion with Management of the Applicants, the Monitor recently determined that Victory has made payments to Trinity totaling \$130 thousand inclusive of HST, of which \$98 thousand may be attributable to pre-filing payments, however, further investigation is required, as the Monitor has just learned of this situation. The services provided by Trinity to Victory continued on and after the date of the Initial Order
- 4.9 The Second Extension Cash Flow Projection contains a payment of \$43 thousand to Trinity during the week of December 9, 2016. The Monitor has advised Management of the Applicants that this payment must not be made until the Monitor has completed its investigation and is satisfied that it does not constitute a pre-filing payment.
- 4.10 The Monitor will update the Court in respect of this matter as further information becomes available.

5. ACTUAL CASH FLOW

- 5.1 The Monitor previously filed with the Court the First Extension Cash Flow Projection for the 13-week period September 23 to December 16, 2016.
- 5.2 The Monitor has prepared a reconciliation of the actual cash flow for the 13-week period September 23 to December 16, 2016 as compared to the First Extension Cash Flow Projection (the "Cash Flow Reconciliation") and enclosed it as Appendix B to the Third Report.
- 5.3 The Monitor offers the following commentary with respect to material variances contained within the Cash Flow Reconciliation:
- (i) the unfavorable variance of \$87 thousand in inflows relates to a timing difference with respect to the September 2016 HST refund that had been projected to be received during the period under review. In addition to the timing difference, the magnitude of the HST refund, now contained within the Second Extension Cash Flow Projection, is approximately \$55 thousand due to lower than anticipated investment tax credits incurred during the month of September 2016;
 - (ii) the favorable variance of \$363 thousand relating to feed costs is attributable to the reduction of feed costs negotiated by the Applicants as discussed above, along with lower than expected consumption levels during the period under review. In addition, the favorable variance also includes a timing difference of approximately \$63 thousand that relates to a prepayment required by the feed supplier;
 - (iii) the favorable variance of \$43 thousand relating to professional fees is attributed to the non-cash treatment of the finance fee of the DIP loan, along with timing differences of actual payments; and

- (iv) the favorable variance of \$500 thousand relating to DIP financing is attributable to the lower than anticipated feed costs and professional fees, offset by the timing of the HST refund.
- 5.4 Jonathan Mullen Mink Ranch ("JMMR") files its HST returns with the Canada Revenue Agency ("CRA") on a quarterly basis, with the last quarterly return due to be filed with CRA on or before October 31, 2016 containing information for the months July to September, 2016.
- 5.5 The Monitor obtained the supporting documentation from the Applicants for the quarterly HST return that contained an amount owing for each of the three months contained within the return. The Monitor brought forth this issue to the attention of legal counsel of the Applicants who advised that the HST liability for the months of July and August were pre-filing liabilities and as such caught by the stay of proceedings contained within the Initial Order.
- 5.6 The Monitor reviewed documentation that confirmed that the HST amount owing for the month of September 2016 for JMMR was paid prior to October 31, 2016.
- 5.7 As at the date of the Third Report, the principal balance of the DIP loan is \$775 thousand. Upon the suggestion of the Monitor, and with the consent of NAFA, it was agreed that rather than the Applicants disburse the \$25 thousand financing fee contained with the DIP term sheet, the amount would be added to the principal balance of the loan.

6. REVISED CASH FLOW PROJECTION

- 6.1 The Applicants have prepared the Second Extension Cash Flow Projection for the 13-week period November 25, 2016 to February 17, 2017; enclosed as Appendix C to this Report.
- 6.2 The Monitor's review of the Second 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 Second 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 Second Cash Flow Projection.
- 6.3 Based on our review and subject to the foregoing reservations 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 Second Extension Cash Flow Projection;
 - (ii) as at the date of this Third 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 Second Extension Cash Flow Projection, given the hypothetical assumptions; or
 - (iii) the Second Extension Cash Flow Projection does not reflect the probable and hypothetical assumptions.

- 6.4 Since the Second 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 Second Extension Cash Flow Projection will be achieved.
- 6.5 The Second Extension Cash Flow Projection has been prepared solely for the purpose described in the notes to the Revised Cash Flow Statement, and readers are cautioned that the Second Extension Cash Flow Projection may not be appropriate for other purposes.
- 6.6 The Monitor has reviewed the Second 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 Second 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 contain payments to staff at existing rates for anticipated hours through the period covered, along with statutory remittances to Canada Revenue Agency and Workers' Compensation Board of Nova Scotia;
 - (iii) feed costs are based on anticipated consumption levels of the herd during the period at existing feed prices, factoring in payment terms with suppliers;
 - (iv) contracted mink care costs are based on underlying agreements the Applicants have entered into with third parties, both related and arm's length, to grow mink, including an estimate of year-end contract settlement payments;
 - (v) professional fees are estimates only and do not account for retainers that have been provided to the professionals involved in the engagement;
 - (vi) pelting costs are based on the existing market prices and based on 77,500 pelts being harvested; and
 - (vii) the Applicants are projecting to require additional DIP Financing above the existing amount approved under the Charging Order during the period covered by the Second Extension Cash Flow Projection. Without additional DIP Financing, the Applicants will not have sufficient resources to operate according to the Second Extension Cash Flow Projection.

7. STAY EXTENSION APPLICATION

- 7.1 The Monitor has been advised by the Applicants that they intend to seek the Second Extension Order from the Court on November 24, 2016.
- 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 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 January 31, 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 preliminary 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 Extension Order as requested by the Applicants.
- 7.5 In the absence of the Second Extension Order being granted, the Applicants will not be in a position to file a Plan of Arrangement on or before November 25, 2016. Although the Monitor has yet to complete a realization schedule in the event of a liquidation, based on the quantum of secured debt owing by the Applicants against the expected asset realizations, it is unlikely that a distribution would be available to the unsecured creditors.

8. CONCLUSION

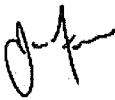
- 8.1 This Report has been prepared to provide this Court with information regarding the Monitor's activities since the date of the Second Report, the Applicants' activities since the date of the First Extension Order, a review of the First Extension Cash Flow Forecast submitted as part of the First Extension Order, a Second Extension Cash Flow Forecast, and the Applicants' request for the Second Extension Order.
- 8.2 In the event the Court does not grant additional borrowing powers above the amount contained in the Charging Order, and the Applicants are not able to secure further financial support from NAFA or another party, based on the Second Extension Cash Flow Projection the Applicants are expected to deplete their existing cash resources during the week of January 20, 2017.

All of which is respectively submitted on November 21, 2016.

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: NAFA October monthly financial package



Deloitte Restructuring Inc.
Purdy's Wharf Tower II
1969 Upper Water Street
Suite 1500
Halifax NS B3J 3R7
Canada

Tel: +1 (902) 721-5614
Fax: +1 (902) 423-5820
www.deloitte.ca

November 14, 2016

Via email

Doug Lawson
Senior Vice President and CFO
North American Fur Auctions Inc.
65 Skyway Avenue
Toronto, ON M9W 6C7

Dear Mr. Lawson,

Subject: Victory Farms Incorporated and Jonathan Mullen Mink Ranch Limited (the "Applicants")

In conjunction with the interim financial term sheet dated September 7, 2016, please find enclosed the October monthly financial reporting package that includes:

- (i) Appendix A - Bank statements of the Applicants for the period October 1 to October 31, 2016;
- (ii) Appendix B - Email from Wayne Booth dated November 11, 2016 regarding the health of the mink crop;
- (iii) Appendix C - Summary schedule prepared by Deloitte outlining remittances to government agencies, including Canada Revenue Agency; and
- (iv) Appendix D - Internally prepared financial statements for the month of October 2016.

North American Fur Auctions Inc.

November 14, 2016

Page 2

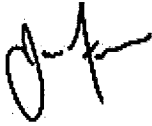
We trust you will find the above and enclosed to be in order. If you have any questions, please contact the undersigned at your convenience.

Sincerely,

DELOITTE RESTRUCTURING INC.

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

Per:

A handwritten signature in black ink, appearing to be 'J. Foran', written in a cursive style.

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

Enclosure (October 2016 financial package)

c: Jonathan Mullen (Applicants)
Tim Hill (Boyne Clarke LLP)
Ben Durnford (McInnes Cooper)

APPENDIX A – OCTOBER 2016 BANK STATEMENTS



RBC Royal Bank®

UF
Oct

November 4, 2016

Chequing

4 Nov 2016

CAD Chequing 07373-1002708

[Printable Version](#)

Show All Transactions

for October 2016

Search

Click on a link under Description below to view an image of the item.

Select "Sort transactions" to set a date order preference.

Date ▼	Description	Withdrawals	Deposits	Balance
31 Oct 2016	CHEQUE - 028	63,000.00		182,143.82
31 Oct 2016	CHEQUE - 018	2,876.00		
31 Oct 2016	DIRECT DEP PDSTOTAL -PAY EMP-VENDOR	9,276.19		
27 Oct 2016	INSURANCE -EQUITABLE LIFE	267.60		207,283.91
27 Oct 2016	IDP PURCHASE - 3480 -NEEDS #4562	78.28		
26 Oct 2016	CHEQUE - 018	62,000.00		207,639.59
26 Oct 2016	WWW TRANSFER - 9422	1,528.00		
25 Oct 2016	WWW PAYMENT - 9758	148.95		
25 Oct 2016	CHEQUE - 014	26,000.00		271,314.54
25 Oct 2016	WWW TRANSFER - 2159	1,029.83		
25 Oct 2016	BR TO BR - 2093	18,320.71		
25 Oct 2016	WWW PAYMENT - 3301 -BELL MOBILITY	318.93		
25 Oct 2016	WWW PAYMENT - 2485 -BELL MOBILITY	270.74		
25 Oct 2016	WWW PAYMENT - 5480 -BELL ALIANT	105.95		
25 Oct 2016	IDP PURCHASE - 8735 -BRUCE CHEVROLET	797.70		
25 Oct 2016	FUNDS TRANSFER -DELOITTE	16,377.44		
24 Oct 2016	FUNDS TRANSFER CR -TT NORTH AMERIC		250,000.00	333,535.84
24 Oct 2016	DIRECT DEP PDSTOTAL -PAY EMP-VENDOR	7,832.28		
24 Oct 2016	FUNDS TRANSFER FEE -TT NORTH AMERIC	15.00		
21 Oct 2016	CHEQUE - 012	3,336.00		91,383.12
21 Oct 2016	BR TO BR - 2093		20,000.00	
21 Oct 2016	WWW TRANSFER - 3714	1,609.80		
21 Oct 2016	PTB WD -- HD989113	660.00		
21 Oct 2016	WWW3RD PTY DEP-5870		5,000.00	
19 Oct 2016	LIFE INSURANCE -GREAT-WEST LIFE	5,226.50		71,987.82
18 Oct 2016	CHEQUE - 008	7,580.90		77,214.22
18 Oct 2016	CHEQUE - 006	5,000.00		
18 Oct 2016	BR TO BR - 2093		52,728.12	
18 Oct 2016	BR TO BR - 2093	9,592.14		

Account Details - RBC Online Banking

17 Oct 2016	<u>CHEQUE - 011</u>	74,000.00	46,839.14
17 Oct 2016	<u>CHEQUE - 004</u>	6,900.00	
17 Oct 2016	<u>CHEQUE - 003</u>	525.00	
17 Oct 2016	DIRECT DEP PDSTOTAL -PAY EMP-VENDOR	8,311.98	
14 Oct 2016	<u>CHEQUE - 008</u>	14,188.69	136,376.10
14 Oct 2016	<u>CHEQUE - 010</u>	74.75	
14 Oct 2016	WWW PAYMENT - 1603 -N.S. POWER INC	175.99	
14 Oct 2016	WWW PAYMENT - 2016 -N.S. POWER INC	135.87	
12 Oct 2016	<u>CHEQUE - 999191</u>	37,797.07	150,949.20
12 Oct 2016	<u>CHEQUE - 007</u>	35,923.79	
12 Oct 2016	WWW PAYMENT - 9423	32.36	
12 Oct 2016	FUNDS TRANSFER -MCINNES COOPER	14,247.89	
12 Oct 2016	FUNDS TRANSFER -DELOITTE	8,393.02	
11 Oct 2016	<u>ARTO BR - 5420</u>	41.65	247,343.33
11 Oct 2016	WWW TRANSFER - 4217	3,000.00	
11 Oct 2016	DIRECT DEP PDSTOTAL -PAY EMP-VENDOR	8,378.52	
11 Oct 2016	IDP PURCHASE - 3081 -CIRCLE K / IRVI	121.36	
11 Oct 2016	IDP PURCHASE - 3113 -CIRCLE K / IRVI	89.00	
11 Oct 2016	IDP PURCHASE - 7453 -SHELL C80070	81.57	
7 Oct 2016	<u>CHEQUE - 999195</u>	45,000.00	259,055.43
7 Oct 2016	<u>CHEQUE - 999193</u>	417.77	
7 Oct 2016	CHQ PRINTING FEE -CHQ/DEP ORDER	173.25	
7 Oct 2016	IDP PURCHASE - 9461 -BRIDGETOWN WILS	54.88	
7 Oct 2016	PTB WD --- HD865236	660.00	
6 Oct 2016	<u>CHEQUE - 999186</u>	45,000.00	305,361.33
6 Oct 2016	FUNDS TRANSFER CR -TT NORTH AMERIC	250,000.00	350,361.33
6 Oct 2016	FUNDS TRANSFER FEE -TT NORTH AMERIC	15.00	
4 Oct 2016	WWWINTERAC PUR 9283 -Canada Revenue	9,166.98	100,376.33
4 Oct 2016	WWWINTERAC PUR 6480 -Canada Revenue	1,780.11	
4 Oct 2016	IDP PURCHASE - 7660 -SISSIBOO FARM S	268.31	
3 Oct 2016	<u>CHEQUE - 999197</u>	43,382.50	108,591.73
3 Oct 2016	WWW TRF DDA - 4377	6,826.04	
3 Oct 2016	INTERAC-SC-0949	1.50	
3 Oct 2016	PTB WD --- 11270949	401.75	

Top

Account Details - RBC Online Banking



RBC Royal Bank

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November 4, 2016

October

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Search

Click on a link under Description below to view an image of the item.

Select "Sort transactions" to set a date order preference.

Date	Description	Withdrawals	Deposits	Balance
31 Oct 2016	STP FEE SELF SERVE	10.00		39,927.48
31 Oct 2016	<u>CHEQUE - 432</u>	1,652.55		
31 Oct 2016	DIRECT DEP PDSTOTAL -PAY EMP-VENDOR	1,688.25		
26 Oct 2016	WWW PAYMENT - 0639 -BELL ALIANT	255.99		43,288.29
26 Oct 2016	WWW PAYMENT - 2681 -EASTLINK	53.99		
25 Oct 2016	BR TO BR - 2093		25,000.00	43,567.68
25 Oct 2016	IDP PURCHASE - 8938 -BRUCE CHEVROLET	958.57		
24 Oct 2016	DIRECT DEP PDSTOTAL -PAY EMP-VENDOR	1,446.34		19,520.23
21 Oct 2016	<u>CHEQUE - 434</u>	20,000.00		20,972.57
21 Oct 2016	WWW PAYMENT - 5670	5,000.00		
19 Oct 2016	WWWINTERAC PUR 9112 -Canada Revenue	2,427.28		45,972.57
17 Oct 2016	DIRECT DEP PDSTOTAL -PAY EMP-VENDOR	1,422.04		48,398.85
14 Oct 2016	DIRECT DEP PDSTOTAL -PAY EMP-VENDOR	61.19		49,821.89
12 Oct 2016	<u>CHEQUE - 433</u>	1,121.25		49,873.08
12 Oct 2016	BR TO BR - 2093		35,923.79	
12 Oct 2016	WWW PAYMENT - 3469 -VISA ROYAL BNK	276.00		
11 Oct 2016	DIRECT DEP PDSTOTAL -PAY EMP-VENDOR	2,054.10		15,346.54
7 Oct 2016	WWW PAYMENT - 4387 -N.S. POWER INC	403.47		17,400.64
5 Oct 2016	<u>CHEQUE - 430</u>	118.35		17,604.11
4 Oct 2016	WWWINTERAC PUR 2801 -Canada Revenue	1,769.15		17,922.46
4 Oct 2016	WWWINTERAC PUR 0285 -Canada Revenue	174.73		
3 Oct 2016	MONTHLY FEE	33.00		19,866.34
3 Oct 2016	FARM MORTGAGE -FARM CREDIT CAN	843.55		
3 Oct 2016	PAY EMPLOYEE-VENDOR -CFI004@00.85	3.40		
3 Oct 2016	PAY EMPLOYEE-VENDOR -RBC002@00.85	1.70		

APPENDIX B – REPORT ON MINK CROP HEALTH

From: [Doug Lawson](mailto:Doug.Lawson)
To: [Foran, James \(CA - Halifax\)](mailto:Foran,James@ca-halifax)
Subject: Fwd: October DIP Reporting
Date: Saturday, November 12, 2016 9:15:06 AM

FYI

Doug Lawson
North American Fur Auctions
416-575-4454

Begin forwarded message:

From: Wayne Booth <w_booth@nafa.ca<mailto:w_booth@nafa.ca>>
Date: November 11, 2016 at 10:30:56 PM EST
To: Doug Lawson <dlawson@nafa.ca<<mailto:dlawson@nafa.ca>>>, Sarah Lowe
<s_lowe@nafa.ca<mailto:s_lowe@nafa.ca>>
Subject: RE: October DIP Reporting

Good evening

- The herd on both seedstock farms (Riverddale and Digby Crossroads) is considered to be AD (Aluetien Disease) stable/resistant. To my knowledge they practice "Test and Remove" using on-farm iodine testing. I understand they are currently testing over 70% negative to AD on the iodine test
 - No current late season enteritis.
 - Mink are larger than in 2015, approx 1.5cm longer using the tube measurement technique improvement in one generation
 - Mink are darker in colour and better furred than in 2015 which relates to a healthier, stronger animal.
 - They basically are breeding 3 lines of dark mink.
 - o High quality 3rd generation AD resistance black mink
 - o Mid-level quality 2nd generation mahogany mink - used to slowly breed AD resistance back into dark mink without jeopardizing quality too much
 - o Lower quality 2nd generation mahogany mink - pelt only
- I will be in Nova Scotia meeting with Jonathan this upcoming week if your require any further detail.

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: Doug Lawson
Sent: Friday, November 11, 2016 9:14 AM
To: Sarah Lowe <s_lowe@nafa.ca<mailto:s_lowe@nafa.ca>>; Wayne Booth
<w_booth@nafa.ca<mailto:w_booth@nafa.ca>>
Subject: FW: October DIP Reporting

What can you tell me about Victory's mink as per below?

Douglas Lawson
Senior Vice President & CFO
North American Fur Auctions
(o) 416-213-2162
(m) 416-5754454

From: Macleod, Kurt (CA - Halifax) [<mailto:kmacleod@deloitte.ca>]
Sent: November-10-16 3:37 PM
To: Doug Lawson <dlawson@nafa.ca<<mailto:dlawson@nafa.ca>>>
Cc: Jonathan <jmullen136@gmail.com<<mailto:jmullen136@gmail.com>>>; Foran, James (CA - Halifax)
<jforan@deloitte.ca<<mailto:jforan@deloitte.ca>>>
Subject: October DIP Reporting

Good afternoon Doug,

James and I are working on the October DIP reporting package and one of the clauses indicates that you require a "report on the health of the mink crop".

We were wondering if you could provide us with some direction regarding what you require for this aspect of the report? We are aware that NAFA's local representative has been in the area over the past couple weeks and could potentially offer some insight into the current health of the crop.

Thank you for your assistance and I hope you have an enjoyable long weekend.

--

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://www.deloitte.ca/)<<http://www.deloitte.ca/>>

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Please consider the environment before printing.

Confidentiality Warning:

APPENDIX C – SCHEDULE OF GOVERNMENT REMITTANCES

Evidence of payment of government remittances

The analysis presented below reconciles payments made to government agencies with their corresponding support calculations. Data for this analysis was taken from bank statements and payroll registries of the borrowers.

Notes:

- Victory Farms Incorporated remits source deductions to the CRA on a bi-weekly basis, and HST/WCB on a monthly basis.
- Jonathan Mullen Mink Ranch remits source deductions to the CRA/WCB on a monthly basis and HST on a quarterly basis.

Victory Farms remittance support (September 1 to October 31)

August 15 - 31	Gross Salary	CPP	EI	Tax	Total
Employee Portion	19,974.05	1,737.54	311.58	4,314.11	6,363.23
Employer Portion		1,737.54	436.21	-	2,173.75
					8,536.98

August 1 - 31	Gross Salary*	WCB
WCB (3.35%)	35,972.77	1,205.09

*Victory Farms Incorporated WCB calculation does not include gross salary paid to Julie-Ann Mullen

September 1 - 15	Gross Salary	CPP	EI	Tax	Total
Employee Portion	21,159.18	852.86	283.49	4,792.35	5,928.70
Employer Portion		852.86	396.89	-	1,249.75
					7,178.45

Bank Reconciliation - September 12 - \$16,921.99 (See additional remittance support)

Payment Breakdown

September 1 - 15 Source Deductions	7,178.43
August 15 - 31 Source Deductions	8,536.98
August WCB	1,205.10
WCB - Error correction	1.48
	<u>16,921.99</u>

September 15 - 30	Gross Salary	CPP	EI	Tax	Total
Employee Portion	20,824.13	658.78	275.59	4,188.00	5,122.37
Employer Portion		658.78	385.83	-	1,044.61
					6,166.98

September 1 - 30	Gross Salary*	WCB
WCB (3.35%)	39,103.31	1,309.96

*Victory Farms Incorporated WCB calculation does not include gross salary paid to Julie-Ann Mullen

Bank Reconciliation - October 4 - \$6,166.98 and \$1,780.11 (see October bank statement)

Payment Breakdown

WCB September 1 - 30	1,309.95
Penalties (support provided)	470.16
	<u>1,780.11</u>

October 1 - 15	Gross Salary	CPP	EI	Tax	Total
Employee Portion	31,506.96	1,029.45	408.74	6,552.25	7,990.44
Employer Portion		1,029.45	572.24	-	1,601.69
					9,592.13

Bank Reconciliation - October 18 - \$9,592.13 (see October bank statement)

October 15 - 30	Gross Salary	CPP	EI	Tax	Total
Employee Portion	22,784.22	762.03	269.29	4,648.75	5,680.07
Employer Portion		762.03	377.01	-	1,139.04
					6,819.11

October 1 - 31	Gross Salary*	WCB
WCB (3.35%)	43,760.38	1,465.97

*Victory Farms Incorporated WCB calculation does not include gross salary paid to Julie-Ann Mullen and employees who have reached the maximum level. As of October 31, one employee Jeff Mullen had reached his maximum WCB amount.

Bank Reconciliation - November 2 - \$6,819.10 and \$1,465.96 (see additional remittance support)

Jonathan Mullen Mink Ranch remittance support (September 1 to October 31)

September 1 - 30	Gross Salary	CPP	EI	Tax	
Employee Portion	5,215.60	237.56	98.06	1,058.70	1,394.32
Employer Portion		237.56	137.28	-	374.84
					<u>1,769.16</u>

September 1 - 30	Gross Salary	WCB
WCB (3.35%)	5,215.60	174.72

Bank Reconciliation - October 4 - \$1,769.15 and \$174.73 (see October bank statement)

October 1 - 31	Gross Salary	CPP	EI	Tax	
Employee Portion	11,485.24	530.94	161.64	2,422.80	3,115.38
Employer Portion		530.94	226.30	-	757.24
					<u>3,872.62</u>

October 1 - 31	Gross Salary	WCB
WCB (3.35%)	11,485.24	384.76

Bank Reconciliation - November 1 - \$3,872.62 and \$384.76 (see additional remittance support)

Account Details - RBC Online Banking



RBC Royal Bank®

November 4, 2016

VF
Jan 30

Chequing

CAD Chequing 07373-1002708

Printable Version

Show All Transactions for the last 30 days

Search

Click on a link under Description below to view an image of the item.

Select "Sort transactions" to set a date order preference.

Date	Description	Withdrawals	Deposits	Balance
4 Nov 2016	IDP PURCHASE	129.20		53,845.85
3 Nov 2016	CHEQUE - 017	9,200.00		53,976.05
3 Nov 2016	CHEQUE - 002	9,200.00		72,375.05
2 Nov 2016	CHEQUE - 018	2,587.50		
2 Nov 2016	WWWINTERAC PUR 7034 -Canada Revenue	6,819.10		
2 Nov 2016	WWWINTERAC PUR 3259 -Canada Revenue	1,485.88		
1 Nov 2016	ELECTRONIC ITEM FEE	3.00		83,247.61
1 Nov 2016	CHEQUE - 020	43,362.50		
1 Nov 2016	CHEQUE - 021	5,000.00		
1 Nov 2016	CHEQUE - 025 <i>transfer</i>	263.01		
1 Nov 2016	INSURANCE -EQUITABLE LIFE	267.50		
31 Oct 2016	CHEQUE - 023	63,000.00		132,143.62
31 Oct 2016	CHEQUE - 015	2,875.00		
31 Oct 2016	DIRECT DEP PDSTOTAL -PAY EMP-VENDOR	9,275.19		
27 Oct 2016	INSURANCE -EQUITABLE LIFE	267.50		207,293.81
27 Oct 2016	IDP PURCHASE - 3480 -NEEDS #4562	78.28		
26 Oct 2016	CHEQUE - 013	62,000.00		207,639.59
26 Oct 2016	WWW TRANSFER - 9422	1,528.00		
26 Oct 2016	WWW PAYMENT - 9758	146.95		
25 Oct 2016	CHEQUE - 014	25,000.00		271,314.54
25 Oct 2016	WWW TRANSFER - 2159	1,029.83		
25 Oct 2016	BR TO BR - 2093	18,320.71		
25 Oct 2016	WWW PAYMENT - 3301 -BELL MOBILITY	318.93		
25 Oct 2016	WWW PAYMENT - 2485 -BELL MOBILITY	270.74		
25 Oct 2016	WWW PAYMENT - 549D -BELL ALIANT	106.95		
25 Oct 2016	IDP PURCHASE - 8735 -BRUCE CHEVROLET	797.70		
25 Oct 2016	FUNDS TRANSFER -DELOITTE	16,377.44		
24 Oct 2016	FUNDS TRANSFER CR -TT NORTH AMERIC		250,000.00	333,535.84
24 Oct 2016	DIRECT DEP PDSTOTAL	7,832.28		

Oct 16 - Oct 31

0/5
920.00
920.00
Nov 4 59000.00

To Agree Interest - will return once matched.

Nov

Oct

gas



RBC Royal Bank

Impr

November 4, 2016

Chequing

4 Nov 2016

CAD Chequing 07373-1003391

[Printable Version](#)

Show All Transactions...

for the last 30 days...

Search >

Last 30

Click on a link under Description below to view an image of the item.

Select "Sort transactions" to set a date order preference.

Date ▼	Description	Withdrawals	Deposits	Balance
1 Nov 2016	MONTHLY FEE	33.00		35,626.05
1 Nov 2016	Rev Item-Stop		943.55	
1 Nov 2016	FARM MORTGAGE -FARM CREDIT CAN	943.55		
1 Nov 2016	WWWINTERAC PUR 9694 -Canada Revenue	3,872.62		
1 Nov 2016	WWWINTERAC PUR 9750 -Canada Revenue	384.76		
1 Nov 2016	PAY EMPLOYEE-VENDOR -OFI008@00.85	6.80		
1 Nov 2016	PAY EMPLOYEE-VENDOR -RBC005@00.85	4.25		
31 Oct 2016	STP FEE SELF SERVE	10.00		39,927.48
31 Oct 2016	CHEQUE - 432 <i>Moore</i>	1,652.55		
31 Oct 2016	DIRECT DEP PDSTOTAL -PAY EMP-VENDOR	1,668.25		
26 Oct 2016	WWW PAYMENT - 0639 -BELL ALIANT	255.39		43,258.28
26 Oct 2016	WWW PAYMENT - 2681 -EASTLINK	53.99		
25 Oct 2016	BR TO BR - 2093		25,000.00	43,587.66
25 Oct 2016	IDP PURCHASE - 9939 -BRUCE CHEVROLET	958.57		
24 Oct 2016	DIRECT DEP PDSTOTAL -PAY EMP-VENDOR	1,446.34		19,528.23
21 Oct 2016	CHEQUE - 434	20,000.00		20,972.57
21 Oct 2016	WWW PAYMENT - 5670	6,000.00		
19 Oct 2016	WWWINTERAC PUR 9112 -Canada Revenue	2,427.28		45,972.57
17 Oct 2016	DIRECT DEP PDSTOTAL -PAY EMP-VENDOR	1,422.04		48,399.85
14 Oct 2016	DIRECT DEP PDSTOTAL -PAY EMP-VENDOR	51.19		49,821.89
12 Oct 2016	CHEQUE - 433	1,121.25		49,673.08
12 Oct 2016	BR TO BR - 2093		35,923.79	
12 Oct 2016	WWW PAYMENT - 3469 -VISA ROYAL BNK	276.00		
11 Oct 2016	DIRECT DEP PDSTOTAL -PAY EMP-VENDOR	2,054.10		15,346.54
7 Oct 2016	WWW PAYMENT - 4367 -N.S. POWER INC	403.47		17,400.64

Oct

Moore



Business Account Statement

August 26, 2016 to September 26, 2016
 Account number: 07373 100-004-1

Account Activity Details - continued

Date	Description	Cheques & Debits (\$)	Deposits & Credits (\$)	Balance (\$)
01 Sep	Misc Payment CNH CAPITAL CDA	616.65 /		
	Insurance GWL 0628391	1,152.64 X		
	Cheque - 5090	2,812.38 /		527,872.86
	Monthly fee			
	Electronic transaction fee 65 Drs @ 0.75 <i>A072</i>	15.00 /		
		48.75 / <i>6875</i>		527,809.11
02 Sep	Online Banking payment - 4376 <i>TF Sept</i>	6,000.00 /		
	Direct Deposits (PDS) service total PAY EMP-VENDOR <i>Randal Gossom (Sept)</i>	14,186.69 /		
	Online Banking Interac purchase - 2856 Canada Revenue <i>wcb</i>	1,325.46 /		
	Online Banking Interac purchase - 5568 Canada Revenue <i>wcb</i>	1,361.37 /		
	Insurance SUNLIFE GRP MLB	75.00 /		
	Cheque - 5109	8,330.38 /		
	Cheque - 5101	27,222.22 /		469,307.99
06 Sep	ATM withdrawal - HC626600 <i>(P)</i>	400.00 /		
	Online Banking payment - 8075 BELL ALIANT	109.14 /		
	Online Banking payment - 1605 <i>JmmR Sept</i>	5,000.00 /		
	Direct Deposits (PDS) service total PAY EMP-VENDOR	8,346.12 /		
	Insurance EQUITABLE LIFE	267.50 /		
	Misc Payment PNS PAYMENT 2600354060 <i>607481</i>	9,287.18 /	3212.37	445,898.05
07 Sep	Cash withdrawal <i>Boyne Clarka</i>	11,756.92 /		
	Cheque - 5106	196.50 /		
	Cheque - 5107	806.39 /		433,138.24
09 Sep	Funds transfer SEA CREST FISHE	32,208.90 /		
	Online Banking payment - 1233 <i>JmmR (Sept)</i>	5,000.00 /		
	Online Banking transfer - 1570 <i>VISA (9958)</i>	48.88 /		
	Cheque - 5096	4,815.91 /		
	Cheque - 5111	10,444.45 /		380,620.10
12 Sep	Deposit 0061		107,417.22	
	Direct Deposits (PDS) service total PAY EMP-VENDOR	6,834.36 /		
	Cheque - 5112	16,921.99 /		464,280.97
13 Sep	Cheque - 5102	75,000.00 /		389,280.97
15 Sep	Farm Mortgage FARM CREDIT CAN 20160915 <i>(10,337.51)</i>	710.25 /	667.84 <i>4241</i>	<i>See Sept 21</i>
	Stop payment fee - assisted 2 @ \$20.00 <i>A073</i>	40.00 /		388,530.72
16 Sep	Item returned NSF		710.25	389,240.97

*neither cheque
was stopped*

For WCB Inquiries:
Telephone 1-877-211-9267 (Toll Free)
1-902-491-8324 (Halifax)
Email assess@wcb.gov.ns.ca
Internet www.wcb.ns.ca

Page 03 of 03

Statement as of Business Number Employer Name
September 25, 2016 84892 3876 NW0001 VICTORY FARMS INCORPORATED

024121

Due Date October 15, 2016	SIC 0123	Account Description MINK RANCHING
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Summary of Financial Transactions

Date	Description	Payroll	Rate	Amount
N 00, 0000	BALANCE FORWARD			6,575.58
Sep 03, 2016	ACTUAL MAY 01-MAY 31,2016	40,638.00	3.35	1,361.37
Sep 03, 2016	UNDER REPORTING PENALTY			136.14
Sep 03, 2016	RETROACTIVE INTEREST			14.81
Sep 03, 2016	ACTUAL JUN 01-JUN 30,2016	39,566.00	3.35	1,325.46
Sep 03, 2016	UNDER REPORTING PENALTY			132.55
Sep 03, 2016	RETROACTIVE INTEREST			8.56
Sep 03, 2016	PAYMENT RECEIVED SEP 02,2016			1,361.37-
Sep 03, 2016	PAYMENT RECEIVED SEP 02,2016			-1,325.46-
Sep 13, 2016	ACTUAL JUL 01-JUL 31,2016	52,382.00	3.35	1,754.80
Sep 13, 2016	LATE REPORTING PENALTY			175.48
Sep 13, 2016	PAYMENT RECEIVED SEP 02,2016			8,330.38-
Sep 17, 2016	ACTUAL AUG 01-AUG 31,2016	35,973.00	3.35	1,205.10
Sep 17, 2016	PAYMENT RECEIVED SEP 12,2016			1,206.58-
Sep 25, 2016	INTEREST ADJUSTMENT AUG,2016			2.17
Sep 25, 2016	INTEREST			1.93

Statement of Account balance due 470.16

Breakdown of Balance:	Current:	1.93
	Past Due:	2.17
	Judgement:	466.06

Maximum Assessable has been set for 2017 at \$59,300. Please remember to notify your payroll provider.

Have you advised your payroll provider of your 2016 rate?

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APPENDIX D – OCTOBER MONTHLY FINANCIAL STATEMENTS

VICTORY FARMS INCORPORATED
OCTOBER 2016 FINANCIAL STATEMENTS

Disclaimer:

The above statements have not been audited, reviewed or otherwise verified.

Victory Farms Incorporated
Balance Sheet As at 10/31/2016

ASSET

Current Assets

Total cash	\$122,153.27
Cash surrender value of life insurance	\$31,629.54
Cash and cash equivalents	<u>\$153,782.81</u>
Accounts receivable	\$2,031,428.08
Inventory - pelter mink	\$1,911,553.00
Prepaid expenses	\$39,653.45
Investment tax credit receivable	\$32,805.28
U.S. tax withholding	\$16,284.41
Other	\$2,073.20
	<u>\$4,033,797.42</u>

Total Current Assets \$4,187,580.23

Capital Assets

Breeder mink	\$890,898.00
Net vehicles	\$37,844.29
Net property plant and equipment	\$1,036,174.26
Investments in (from) related parties	\$4,505,785.31
Land	\$10,366.25
Other	\$31,436.09
	<u>\$6,512,504.20</u>

Total Assets \$10,700,084.43

Liabilities and Shareholder Equity

Current Liabilities

Accounts payable	\$241,920.74
Loans	
ALC	\$7,936,429.69
NAFA	\$4,423,038.83
NSFLB	\$886,863.21
FCC	\$128,128.60
BNS	\$16,424.46
	<u>\$13,390,884.79</u>
Corporate visa	\$16,451.40
Due to Jason Mullen Mink Ranch	\$16,609.27
Corporate taxes payable	\$21,863.00
HST payable (refund)	-\$113,196.42
Other	\$724.81
Total Current Liabilities	<u>\$13,575,257.59</u>

Long Term liabilities

Due to related parties	\$650,387.73
Loans to (from) shareholders	-\$383,913.97
Deferred government assistance, income taxes, and credit:	\$134,583.08
	<u>\$401,056.84</u>

Total Liabilities \$13,976,314.43

Shareholder Equity

Capital	\$100.00
Retained earnings - previous year	-\$2,594,453.15
Current earnings	-\$456,876.85
Dividends	-\$225,000.00
Total retained earnings	<u>-\$3,276,330.00</u>
Total Shareholder Equity	<u>-\$3,276,230.00</u>

Total Liabilities and Shareholder Equity \$10,700,084.43

Victory Farms Incorporated
Income Statement 10/01/2016 to 10/31/2016

Revenue

Auction Revenue	\$0.00
Other Revenue	\$0.03
	<u>\$0.03</u>

Cost of goods sold

Feed Expense	\$305,513.37
Mink Care Contract Payments	\$55,252.92
Ranch Leases	\$5,800.00
Pelting	\$1,112.85
Other	\$2,651.29
	<u>\$370,330.43</u>

Payroll Expense	\$58,509.60
-----------------	-------------

General and Administrative

Accounting & Legal	\$16,719.51
Credit Card Charges	\$296.59
Insurance	\$5,584.95
Interest & Bank Charges	\$471.56
Office Supplies	\$153.54
Repair and Maintenance	\$4,365.18
Telephone	\$327.55
Utilities	\$117.97
	<u>\$28,036.85</u>

Total Expenses	<u>\$456,876.88</u>
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Net Income	<u><u>-\$456,876.85</u></u>
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JONATHAN MULLEN MINK RANCH LIMITED
OCTOBER 2016 FINANCIAL STATEMENTS

Disclaimer:

The above statements have not been audited, reviewed or otherwise verified.

JONATHAN MULLEN MINK RANCH LIMITED**Balance Sheet As at 10/31/2016****Assets****Current Assets**

Cash	\$39,011.10
Accounts receivable	\$10,516.98
Prepaid expenses	\$4,308.98
Tax credit receivable	\$95,470.45
Other	\$11,025.42
	<u>\$160,332.93</u>

Capital Assets

Net vehicles	\$7,238.55
Net property plant and equipment	\$1,207,670.92
Land	\$204,847.38
Investments in (from) related parties	-\$13,000.00
	<u>\$1,406,756.85</u>

Total Assets\$1,567,089.78**Liabilities and Shareholder Equity****Current Liabilities**

Accounts payable	\$51,221.91
HST payable (refund)	\$3,542.19
FCC loan	\$2,807.55
U.S. tax withholding	-\$3,671.00
	<u>\$53,900.65</u>

Long Term Liabilities

FCC mortgage	\$682,304.25
Due to (from) Victory Farms Inc.	\$934,271.14
Due to (from) Jason Mullen	\$1,250.16
Loans to (from) shareholders	-\$1,614.34
Deferred investment tax credit	\$78,278.23
	<u>\$1,694,489.44</u>

Total Liabilities\$1,748,390.09**Shareholder Equity**

Capital	\$100.00
Retained earnings - previous year	-\$82,387.61
Current earnings	\$50,987.30
Dividends	-\$150,000.00
Total retained earnings	<u>-\$181,400.31</u>

Total Shareholder Equity-\$181,300.31**Total Liabilities and Shareholder Equity**\$1,567,089.78

JONATHAN MULLEN MINK RANCH LIMITED
Income Statement 01/01/2016 to 10/31/2016

Revenue

Mink Care Revenue	\$186,666.69
Other	\$398.26
	<u>\$187,064.95</u>

Expenses

Cost of goods sold

Ranch Expense	\$1,332.80
Gas & Oil	\$1,553.04
Other	\$70.75
	<u>\$2,956.59</u>

Payroll Expenses	\$93,278.00
------------------	-------------

General and Administrative

Accounting & Legal	\$11,065.13
Fees/Subscriptions	\$2,295.85
Insurance	\$2,515.00
Interest & Bank Charges	\$3,278.47
Long term interest	\$320.80
Property Taxes	\$8,282.93
Repairs and Maintenance	\$4,632.30
Telephone/Security	\$2,897.25
Utilities	\$4,555.33
	<u>\$39,843.06</u>

Total Expenses	<u>\$136,077.65</u>
-----------------------	---------------------

Net Income	<u><u>\$50,987.30</u></u>
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Appendix B: Cash Flow Reconciliation

Victory Farms Incorporated and Jonathan Mullen Mink Ranch Limited
Cash Flow Reconciliation
For the period September 17, 2016 to November 18, 2016

	Cumulative			Notes
	Projected	Actual	Variance	
Opening cash	399,014	399,014	-	
Operating inflows				
Other	-	2,249	2,249	
HST	139,284	50,301	(88,983)	1
Total inflows	139,284	52,550	(86,734)	
Operating outflows				
Compensation	153,137	148,046	5,092	
Feed costs	1,018,143	655,322	362,820	2
Contracted mink care	204,024	204,024	-	
Operating expenses	23,964	20,347	3,617	
Professional fees	195,062	151,601	43,461	3
Repairs and maintenance	12,860	11,888	972	
Loan Payments	-	1,654	(1,654)	
Total outflows	1,607,191	1,192,883	414,307	
Operating cash flow	(1,467,907)	(1,140,333)	327,574	
Cash position (before DIP)	(1,068,893)	(741,320)	327,574	
DIP funding	1,250,000	750,000	(500,000)	4
Closing cash position (after DIP)	181,107	8,680	(172,426)	

Appendix C: Second 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 21st day of November, 2016, consisting of weekly projections for the period November 25th, 2016 to February 17th, 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.

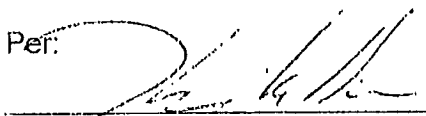
Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

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 21st day of November, 2016.

Victory Farms Incorporated
Jonathan Mullen Mink Ranch Limited

Per:



Jonathan Mullen
President

VICTORY FARMS INCORPORATED AND JONATHAN MULLEN MINK RANCH
LIMITED

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

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

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

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

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

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

Contracted mink care expenses are based on underlying contracts the Applicant have entered into with third and related parties to grow mink, including an estimate of year-end contract settlement payments.

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.

Pelting costs are based on management's estimate using the size of the herd and expected pelting costs.

DIP funding is based on the shortfall in the cash flow projections and will be advanced in tranches of \$250 thousand.

Deloitte

The attached statement of projected cash flow of Victory Farms Incorporated and Jonathan Mullen Mink Ranch Limited, as of the 25th day of November, 2016, consisting of weekly projections for the period November 25th, 2016 to February 17th, 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.

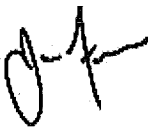
The projection has been prepared solely for the purpose described in Note A, and readers are cautioned that it may not be appropriate for other purposes.

Dated at Halifax, Nova Scotia this 21st day of November, 2016.

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
 Second Extension Cash Flow Projection
 For the period November 25, 2016 to February 17, 2017

	1 25-Nov	2 2-Dec	3 9-Dec	4 16-Dec	5 23-Dec	6 30-Dec	7 6-Jan	8 13-Jan	9 20-Jan	10 27-Jan	11 3-Feb	12 10-Feb	13 17-Feb	Total
Operating cash	8,680	166,620	236,082	116,968	296,790	214,666	68,223	66,093	7,367	(43,747)	(98,253)	(152,850)	(429,892)	8,680
Operating inflows	-	55,000	60,000	-	-	-	61,866	-	-	-	-	94,209	-	271,075
HST	-	55,000	60,000	-	-	-	61,866	-	-	-	-	94,209	-	271,075
Total inflows	-	55,000	60,000	-	-	-	61,866	-	-	-	-	94,209	-	271,075
Operating outflows	10,822	18,587	30,732	10,866	22,637	10,866	32,210	14,174	18,918	8,899	24,767	9,726	25,336	298,539
Feed costs	63,370	63,370	63,370	31,685	31,685	31,685	16,905	16,905	16,905	16,905	16,905	16,905	16,905	403,498
Contracted milk care	-	-	56,183	-	-	100,000	5,920	-	-	-	-	5,920	-	169,023
Operating expenses	4,300	1,141	2,590	1,388	1,563	2,653	1,213	1,548	1,213	12,603	913	40,000	1,248	33,281
Professional fees	8,625	50,000	25,000	-	25,000	-	1,100	1,100	1,100	15,000	225	40,000	25,000	213,625
Repairs and maintenance	2,374	1,240	1,240	1,240	1,240	-	1,100	1,100	-	1,100	225	297,563	-	13,649
Palting Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	398,763
DIP interest	2,570	-	-	-	-	-	6,648	-	-	-	11,787	-	-	21,005
HST	-	-	-	-	-	-	-	-	12,978	-	-	-	-	12,978
Total outflows	92,061	235,537	179,114	45,178	82,124	146,443	63,995	98,726	51,114	54,507	54,597	371,251	68,714	1,503,361
Operating cash flow	(92,061)	(180,537)	(119,114)	(45,178)	(82,124)	(146,443)	(2,129)	(58,726)	(51,114)	(54,507)	(54,597)	(277,041)	(68,714)	(1,232,286)
Cash position (before DIP)	(83,380)	(13,918)	116,968	71,790	214,666	68,223	66,093	7,367	(43,747)	(98,253)	(152,850)	(429,892)	(498,606)	(1,223,606)
DIP funding	250,000	250,000	-	225,000	-	-	-	-	-	-	-	-	-	725,000
Closing cash position (after DIP)	166,620	236,082	116,968	296,790	214,666	68,223	66,093	7,367	(43,747)	(98,253)	(152,850)	(429,892)	(498,606)	(498,606)