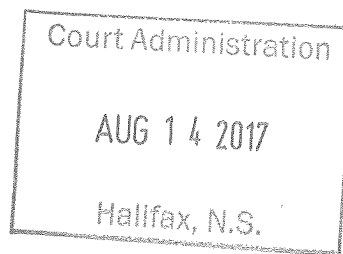


2016



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***

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

August 14, 2017

**1. INTRODUCTION AND BACKGROUND**

- 1.1 On August 31, 2016, the Supreme Court of Nova Scotia (the "Court") granted an order (the "Initial Order") under the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended (the "CCAA") granting certain relief to Victory Farms Incorporated and Jonathan Mullen Mink Ranch Limited (collectively the "Applicants").
- 1.2 As part of the Initial Order, Deloitte Restructuring Inc. ("Deloitte") was appointed as Monitor under these CCAA proceedings.
- 1.3 On September 27, 2016, the Court granted an order (the "Charging Order") granting the Applicants the power to borrow up to \$1.5 million from North American Fur Auctions Inc. ("NAFA") as debtor in possession financing ("DIP Financing").
- 1.4 On September 28, 2016, the Court granted an order (the "First Extension Order") extending the stay of proceedings from September 30, 2016 up to and including November 25, 2016.
- 1.5 On November 24, 2016, the Court granted an order (the "Second Extension Order") extending the stay of proceedings from November 25, 2016 up to and including January 31, 2017.
- 1.6 On December 8, 2016, the Monitor filed its Fourth Report with the Court. The purpose of the Fourth Report was to bring closure regarding certain payments made by the Applicants to Trinity Farms Inc. initially addressed in the Monitor's Third Report dated November 21, 2016.
- 1.7 On January 30, 2017, the Court granted an order (the "Third Extension Order") extending the stay of proceedings from January 31, 2017 up to and including February 14, 2017.
- 1.8 On February 16, 2017, the Court granted an order (the "Fourth Extension Order") extending the stay of proceedings from February 17, 2017 up to and including April 28, 2017.
- 1.9 In addition to the Fourth Extension Order granted on February 16, 2017, the Court also issued an order granting the Applicants the power to borrow up to an additional \$1.5 million from NAFA as DIP Financing (the "Second Charging Order") and authorized the Applicants to undertake a process to sell all of their assets, property and undertakings (the "Stalking Horse and Bidding Procedures Order").
- 1.10 On April 7, 2017, the Court granted an order correcting a clerical error contained within the Second Charging Order (the "Revised Second Charging Order").

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

## **2. TERMS OF REFERENCE**

- 2.1 In preparing the Ninth Report, the Monitor has relied upon financial information of the Applicants, discussions with the Applicants' management ("Management"), discussions with the Applicants' external accountant, the Applicants' legal counsel, BoyneClarke LLP, and McInnes Cooper, the Monitor's legal counsel.
- 2.2 The financial information of the Applicants has not been audited, reviewed or otherwise verified by the Monitor as to its accuracy or completeness, nor has it necessarily been prepared in accordance with generally accepted accounting principles and the reader is cautioned that the Ninth 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 Ninth 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 Ninth Report. Any use which any party makes of the Ninth Report, or any reliance or decisions to be made on the Ninth Report, is the sole responsibility of such party.
- 2.4 All dollar amounts identified in the Ninth Report are expressed in or converted to Canadian dollars.
- 2.5 The purpose of this Ninth Report is to advise the Court regarding:
  - (i) the Monitor's activities since the date of the Eighth Report;
  - (ii) the Applicants' activities since the date of the Eighth Report;
  - (iii) a review of the Cash Flow Projection submitted as part of the Eighth Report (the "Sixth Extension Cash Flow Projection");
  - (iv) a revised Cash Flow Forecast of the Applicants (the "Seventh Extension Cash Flow Projection");

- (v) an update to the Court with respect to post filing Visa obligations as outlined in the Eighth Report;
- (vi) an update to the Court regarding the status of the Purchased and Excluded Assets as described in the Sale Approval and Vesting Order (the "Sales Closing");
- (vii) an update to the Court regarding the claims process as outlined in the Claims Procedure Order (the "Claims Process");
- (viii) a review of the distribution table prepared by the Monitor in support of its request for a Distribution Order (the "Proposed Distribution"); and
- (ix) the Applicants' request for an Extension (the "Seventh Extension Order").

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

- 3.1 Activities of the Monitor, prior to the date of the Supplemental Report, have been documented in section three of each of the eight prior Reports of the Monitor to the Court.
- 3.2 Since the date of the Supplemental Report, the Monitor's activities have included:
- (i) monitoring of the Applicants' actual cash flow and reporting on variances to the Sixth Extension Cash Flow Projection filed with the Court as part of the Eighth Report;
  - (ii) working with the Applicants to create the Seventh Extension Cash Flow Projection further discussed herein;
  - (iii) working with the Applicants, BoyneClarke LLP and McInnes Cooper to reach an arrangement with Royal Bank of Canada ("RBC") regarding a settlement of a Visa payment and resolution of a claim of set off further discussed herein;
  - (iv) working with the Applicants to settle certain activities relating to the Sale Approval and Vesting Order (the "Sales Process");
  - (v) working with the Applicants, BoyneClarke LLP, McInnes Cooper and the Designated Creditors of the Applicants (as defined in the Claims Procedure Order) in order to conclude the Claims Process;
  - (vi) working with McInnes Cooper to create a distribution table to support the Proposed Distribution further discussed herein; and
  - (vii) sharing drafts of the Proposed Distribution with Designated Creditors and considering feedback received from them.
- 3.3 As mentioned in the materials filed in connection with the Monitor's scheduled August 18, 2017 Motion, the Monitor is requesting that the Court approve the contents of all Reports of the Monitor which have been filed to date, along with the Ninth Report, and also approve the conduct and activities of the Monitor to date as described in those Reports.

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

- 4.1 As mentioned in its Eighth Report to this Court, the Monitor can advise that subsequent to the Sales Closing, the milk growing operations of the Applicants have ceased and the only commercial activities engaged in by the Applicants pertain to receipt and payment of post filing obligations and the filing and receipt of government remittances.
- 4.2 The Applicants have continued to assist the Monitor with requests since the date of the Eighth Report, including working with the Monitor's staff to complete weekly cash flow reconciliations and providing the Monitor's staff with necessary documentation.

**5. ACTUAL CASH FLOW**

- 5.1 The Monitor previously filed with the Court the Sixth Extension Cash Flow Projection for the 15-week period May 26 to September 1, 2017.
- 5.2 The Monitor has prepared a reconciliation of the actual cash flow for the 11-week period May 26 to August 4, 2017 as compared to the Sixth Extension Cash Flow Projection (the "Cash Flow Reconciliation"), which is contained within Appendix A to the Ninth Report.
- 5.3 The Monitor offers the following commentary with respect to material variances contained within the Cash Flow Reconciliation:
  - (i) The favorable variance of \$14 thousand relating to HST refunds is timing related and associated with the accrual of professional fees and contracted mink care payments.
  - (ii) The favorable variance of \$74 thousand relating to miscellaneous inflows is primarily attributable to the receipt of \$71 thousand associated with the cash surrender value of life insurance policies further discussed herein.
  - (iii) The favorable variance of \$8 thousand relating to professional fees is timing driven.

**6. REVISED CASH FLOW PROJECTION**

- 6.1 The Applicants have prepared the Seventh Extension Cash Flow Projection for the 17-week period spanning August 11, 2017 to December 1, 2017; this Seventh Extension Cash Flow Projection is enclosed as Appendix B to the Ninth Report.
- 6.2 The Monitor's review of the Seventh 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 Seventh 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 Seventh Extension Cash Flow Projection.
- 6.3 Based on our review and the foregoing reserves and limitations, nothing has come to the attention of the Monitor that causes us to believe that, in all material respects:
  - (i) the hypothetical assumptions are not consistent with the purpose of the Seventh Extension Cash Flow Projection;
  - (ii) as at the date of the Ninth 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 Seventh Extension Cash Flow Projection, given the hypothetical assumptions; or
  - (iii) the Seventh Extension Cash Flow Projection does not reflect the probable and hypothetical assumptions.
- 6.4 Since the Seventh 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 as to whether or not the projections in the Seventh Extension Cash Flow Projection will be achieved.

- 6.5 The Seventh Extension Cash Flow Projection has been prepared solely for the purpose described in the notes to the Seventh Extension Cash Flow Projection, and readers are cautioned that the Seventh Extension Cash Flow Projection may not be appropriate for other purposes.
- 6.6 The Monitor has reviewed the Seventh Extension Cash Flow Projection and offers the following commentary:
- (i) HST refunds are based on HST returns to be filed and not yet received by the Applicants, along with estimated future HST refunds based on recent commercial activity of the Applicants.
  - (ii) Professional fees are estimates only and do not account for retainers that have been provided to the professionals involved in the engagement.
  - (iii) Insurance premiums relate to premiums paid on insurance policies held by the Applicants.
  - (iv) Operating expenses are based on obligations incurred prior to the Sales Closing and that have yet to be paid by the Applicants.

## **7. POST FILING VISA OBLIGATIONS**

- 7.1 In its Eighth Report dated May 26, 2017, the Monitor informed the Court of transactions totaling approximately \$3 thousand outstanding on the RBC Visa card of the Applicants. At that time, the Monitor advised the Court that based on a review, the Monitor had determined the majority of these charges did not appear to be business related and that payment of these personal charges would be sourced from the Principal of the Applicants.
- 7.2 As at the date of the Ninth Report, the Monitor can advise that funds have been received from the Principal to cover these charges and that post Initial Order obligations of the Visa account have been extinguished.
- 7.3 In addition to the post-filing transactions described above, the Applicants have reached an agreement, pending approval of the Court, to pay RBC \$8 thousand as full and final settlement of any future claim RBC may have against the Applicants. The settlement which was reached, conditional upon Court approval, involved a set off claim being asserted by RBC against Victory Farms Inc. ("Victory") in the approximate amount of \$19 thousand, and thus the agreement reached would permit the avoidance of a potentially costly Court dispute.
- 7.4 The Monitor is of the opinion that the settlement achieved between Victory and RBC is reasonable, and recommends its approval by the Court.

## **8. SALES CLOSING**

- 8.1 As part of the Sales Closing, 3306319 Nova Scotia Limited ("3306319") purchased the Agri-stability refund as part of the Purchased Assets.
- 8.2 On June 20, 2017, the Applicants received a payment in the amount of approximately \$499 thousand relating to the Agri-stability refund. On June 21, 2017, the Applicants wired approximately \$499 thousand to 3306319.
- 8.3 As part of the Sales Process and Vesting Order, there were Excluded Assets that consisted of two New Holland tractors encumbered by CNH Industrial Capital Canada Ltd. and a Chevrolet Silverado truck (the "Truck") encumbered by Bank of Nova Scotia ("BNS").

- 8.4 As at the date of the Ninth Report, the Monitor is aware that 3306319 is in discussions with CNH regarding an assumption of the outstanding lease amounts on the tractors. The Monitor has received payout statements from CNH and based on the appraisal performed by Castle Appraisals, has concluded that no equity net of the lien of CNH exists in the tractors which might otherwise become available to creditors of the Applicants were they to be sold.
- 8.5 On June 26, 2017, McInnes Cooper was advised by FINASTRA, agent to BNS, that it had refused an offer which 3306319 had made on the Truck. As with the aforementioned tractors, the Monitor has concluded that no potential equity, net of the purchase money security interest of BNS, exists for creditors of the Applicants in the event of a forced sale.
- 8.6 On July 5, 2017, as required under paragraph 11 of the Initial Order, each of the Monitor and the Applicants provided FINASTRA with authorization to repossess the Truck. On July 6, 2017, the Monitor was advised by BoyneClarke LLP that the Truck had been repossessed, and on July 7, 2017, counsel for the Monitor received a Notice of Disposition pursuant to Section 60 of the Personal Property Security Act in respect of the Truck, issued by FINASTRA on behalf of BNS.
- 8.7 In addition to the Purchased Assets and the Excluded Assets, Victory was the policy holder on life insurance policies (the "Life Policies") with Great West Life ("GWL") in the name of Jonathan Mullen and Julie-Anne Mullen. The Life Policies contained a cash surrender value (the "CSV") component.
- 8.8 The Monitor obtained statements from GWL dated June 14, 2017 that calculated the consolidated CSV on the Life Policies was approximately \$71 thousand.
- 8.9 On July 7, 2017, the Applicants received payment in full of approximately \$71 thousand, representing all available monetary value available to the Applicants' estate, and the Life Policies were transferred to 3306319.
- 8.10 As at the date of the Ninth Report, the Monitor can advise the Court that outside of the cash held by the Applicants and future HST refunds, the Applicants have no further realizable assets.

## **9. CLAIMS PROCESS**

- 9.1 On April 10, 2017, the Court authorized the Monitor to undertake the Claims Procedure as outlined in the Seventh Report of the Monitor dated April 4, 2017 and reflected in the Claims Procedure Order.
- 9.2 In its Eighth Report dated May 26, 2017, the Monitor advised the Court that discussions were ongoing with American Legend Cooperative ("ALC") regarding the Notice of Dispute received by the Monitor on May 18, 2017.
- 9.3 On May 28, 2017, ALC provided the Monitor with further documentation to support its claim filed as part of the Claims Procedure.
- 9.4 On May 30, 2017, the Monitor's legal counsel wrote to legal counsel to ALC advising that it had reviewed the documentation provided on May 28, 2017 and further documentation was required to support the magnitude of the claim initially filed by ALC.
- 9.5 On June 2, 2017, legal counsel to ALC advised the Monitor's legal counsel that it was withdrawing its claim of approximately \$506 thousand relating to a loan provided to the Applicants in April of 2014.

- 9.6 On June 6, 2017, legal counsel to ALC advised the Monitor's legal counsel that it was withdrawing its claim of approximately \$4.2 million relating to amounts provided to the Applicants in 2014 and 2015.
- 9.7 With the discussion between ALC and the Monitor concluded, the Monitor can advise the Court that the accepted claims of the Designated Creditors per the Claims Process are:
- (i) NAFA approximately \$3.69 million
  - (ii) ALC approximately \$2.91 million
- Priorities associated with these claims are discussed further during the Proposed Distribution section of the report.

## **10. PROPOSED DISTRIBUTION**

- 10.1 In accordance with paragraph nine of the Claims Procedure Order, the Monitor has put forth a motion to the Court, a copy of which is enclosed as Appendix C, seeking direction as to the initial distribution of funds held by the Monitor.
- 10.2 In support of this motion, the Monitor and its legal counsel have prepared the Proposed Distribution which is enclosed as Appendix D, outlining the analysis undertaken by the Monitor and proposed initial distribution of funds held by the Monitor to certain Designated Creditors of the Applicants.
- 10.3 On July 24, 2017, the Monitor circulated a draft copy of the Proposed Distribution to the affected Designated Creditors for their consideration.
- 10.4 During the week ending July 28, 2017, the Monitor held numerous discussions with the Designated Creditors and adjusted the schedule to correct a formula error identified by one of the creditors.
- 10.5 On July 28, 2017, the Monitor circulated a second draft of the Proposed Distribution to the effected Designated Creditors for their consideration. As at the date of this report, the Monitor has not received any additional feedback regarding the Proposed Distribution.
- 10.6 The Monitor is of the opinion that the Distribution Table as presented herein represents an equitable distribution of funds that accurately reflects the inherent security positions of the affected Designated Creditors. Any residual funds held as an administrative charge by the Monitor and remaining amounts held within the accounts of the Applicants will be distributed during a final distribution (the "Final Distribution"). Following the receipt of final government remittances and the extinguishment of outstanding post filing obligations, the Monitor will schedule a hearing seeking the Court's direction regarding the Final Distribution.

## **11. STAY EXTENSION APPLICATION**

- 11.1 The Monitor has been advised by the Applicants that they intend to seek the Seventh Extension Order from the Court on August 18, 2017.
- 11.2 Based on the Monitor's dealing with Management of the Applicants and the Monitor's review of the Applicants' operations and restructuring efforts to date, it can advise:
- (i) that the Applicants have acted and continue to act in good faith;
  - (ii) that the Applicants have acted and continue to act with due diligence, and:

(iii) in the Monitor's opinion, circumstances exist that make the Seventh Extension Order appropriate.

- 11.3 The Monitor believes that an extension up to and including November 30, 2017 will provide the Applicants with adequate time to collect remaining government remittances, extinguish any outstanding post filing obligations, distribute funds as directed by the Court and conclude negotiations pertaining to Excluded Assets.
- 11.4 The Monitor is of the opinion that no creditor would be materially prejudiced by the Court granting the Seventh Extension Order as requested by the Applicants.
- 11.5 In the absence of the Seventh Extension Order being granted, the Applicants will not be in a position to complete the processes outlined in the Claims Procedure Order prior to August 31, 2017; nor will the Monitor be in a position to complete and seek a Final Distribution Order from the Court.

## **12. CONCLUSION**

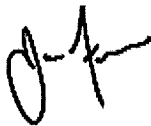
- 12.1 This Report has been prepared to provide this Court with information regarding the Monitor's activities since the date of the Eighth Report, the Applicants' activities since the date of the Eighth Report, a review of the Sixth Cash Flow Projection submitted as part of the Eighth Report, a Seventh Extension Cash Flow Projection, an update on the Sale Approval and Vesting Order, an update on the Claims Procedure Order, a discussion of the proposed settlement between Victory and RBC, a review of the Proposed Distribution and the Applicants' request for the Seventh Extension Order.

All of which is respectively submitted on August 14, 2017.

### **DELOITTE RESTRUCTURING INC.**

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

Per:



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



**APPENDIX A: CASH FLOW RECONCILIATION**

**Victory Farms Incorporated and Jonathan Mullen Mink Ranch Limited (the "Applicants")**  
**Cash Flow Reconciliation**  
**For the weeks ending May 26, 2017 to August 4, 2017**

	Cumulative		
	Projected	Actual	Variance
Opening cash	83,246	83,345	99
Operating inflows			
Proceeds from AgriInvest	15,000	15,589	589
Proceeds from AgriStability	503,139	498,585	(4,554)
HST	69,765	84,077	14,312
Miscellaneous	2,954	77,043	74,089
Total inflows	590,858	675,295	84,437
Operating outflows			
Professional Fees	137,357	129,106	8,251
Insurance premiums	13,214	13,214	-
Farm lease payments	11,135	11,135	-
Operating expenses	8,655	7,975	680
Repairs and maintenance	2,004	2,563	(559)
Transfer of AgriStability to 3306319 NS Ltd.	503,139	498,620	4,519
Total outflows	675,504	662,613	12,890
Operating cash flow	(84,646)	12,682	97,328
Cash held by Applicants	(1,400)	96,027	97,427
Transfer from Monitors Account	1,400	-	(1,400)
Cash held by Monitor in trust	1,297,355	1,298,755	1,400
Total cash position	1,297,356	1,394,782	97,427

**APPENDIX B: SEVENTH 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 14<sup>th</sup> day of August, 2017, consisting of weekly projections for the period August 11<sup>th</sup> to December 1<sup>st</sup>, 2017.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in Note A, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions are disclosed in Note B.

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

The projection has been prepared by Victory Farms Incorporated and Jonathan Mullen Mink Ranch Limited solely for the purpose described in Note A, using a set of hypothetical and probable assumptions set out in Note B.

Dated at Digby, Nova Scotia this 14<sup>th</sup> day of August, 2017.

Victory Farms Incorporated  
Jonathan Mullen Mink Ranch Limited

Per:

A handwritten signature in black ink, appearing to read 'J. Mullen', is written over a horizontal line.

Jonathan Mullen  
President

VICTORY FARMS INCORPORATED AND JONATHAN MULLEN MINK RANCH  
LIMITED

ASSUMPTIONS TO THE CASH FLOW PROJECTIONS  
FOR THE PERIOD AUGUST 11 TO DECEMBER 1, 2017

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

Note B: Opening cash balance reflects the estimated cash contained within the Applicant's bank accounts.

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

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

Insurance premiums relate to premiums paid monthly on insurance policies held by the Applicants. Payments relating to these policies is projected to cease effective September 2017.

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

Cash held by the Monitor in trust reflects the residual sales proceeds held by the Monitor in its trust account following the repayment of the DIP financing.

# Deloitte

The attached statement of projected cash flow of Victory Farms Incorporated and Jonathan Mullen Mink Ranch Limited, as of the 14<sup>th</sup> day of August, 2017 consisting of weekly projections for the period August 11<sup>th</sup> to December 1<sup>st</sup> 2017, has been prepared by the management of the insolvent debtor for the purpose described in Note A, using the probable and hypothetical assumptions set out in Note B.

Our review consisted of inquiries, analytical procedures and discussions related to information supplied to us by the management and employees of the insolvent debtor. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by management for the probable assumptions and preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects,

- a) the hypothetical assumptions are not consistent with the purpose of the projection;
- b) as at the date of this report, the probable assumptions developed are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or
- c) the projection does not reflect the probable and hypothetical assumptions.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

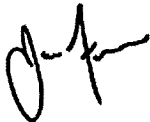
The projection has been prepared solely for the purpose described in Note A, and readers are cautioned that it may not be appropriate for other purposes.

Dated at Halifax, Nova Scotia this 14<sup>th</sup> day of August, 2017.

**DELOITTE RESTRUCTURING INC.**

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

Per:



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



**APPENDIX C: DISTRIBUTION ORDER**



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*

DISTRIBUTION ORDER

BEFORE THE HONOURABLE JUSTICE

IN CHAMBERS:

UPON MOTION made by Deloitte Restructuring Inc., in its capacity as the Monitor (the "Monitor") of Victory Farms Inc. and Jonathan Mullen Mink Ranch Limited for an Order:

- (a) validating service of this Notice of Motion and the supporting Ninth Report of the Monitor;
- (b) in accordance with paragraph 7 of the Sale Approval and Vesting Order in these proceedings dated April 10, 2017, authorizing the interim distribution of \$1,148,755 out of funds held by the Monitor to certain Designated Creditors of the Applicants, specifically in accordance with the distribution table contained within the Ninth Report of the Monitor and appended hereto as Schedule "A";
- (c) approving the payment by Victory Farms Inc. to Royal Bank of Canada ("RBC") of \$8,000 from cash on hand, in full and final settlement of a set-off claim asserted by RBC;
- (d) approving the Reports, conduct and activities of the Monitor to date; and
- (e) providing such further and other relief as counsel may seek and this Honourable Court deems just and equitable.

UPON READING the Monitor's Ninth Report, the Affidavit of Chris Lirette sworn July 21, 2017, and other materials on file herein;

AND UPON HEARING the submissions of Ben Durnford, counsel for the Monitor, and such other counsel who appeared:

NOW UPON MOTION:

**IT IS HEREBY ORDERED THAT:**

**Service**

1. The timing and method of service of the Notice of Motion, the supporting Affidavit, and the Monitor's Ninth Report are hereby validated, such that this Motion is properly returnable today and further service hereof is hereby dispensed with;

**Distribution**

2. The Monitor be and is hereby authorized and directed to distribute the sum of \$1,148,755 out of the residual asset sale proceeds held by the Monitor in accordance with paragraph 7 of the Sale Approval and Vesting Order, to those certain Designated Creditors and in the amounts listed in Schedule "A" of this Order, and as set forth in the Monitor's Ninth Report.

3. The payment by Victory Farms Inc. of \$8,000 to RBC from cash on hand, be and is hereby approved;

4. The Reports filed by the Monitor, together with the conduct and activities of the Monitor as described therein, be and are hereby approved.

5. This Order and all of its provisions are effective as of 12:01 a.m. local time on the date of this Order

**DATED** at Halifax, Province of Nova Scotia, this \_\_\_\_ day of August, 2017.

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Deputy Prothonotary

**SCHEDULE "A"**  
**Distribution Table**

<b><u>Designated Creditor</u></b>	<b><u>Distribution Amount</u></b>
<b>North American Fur Auctions Inc.</b>	<b>\$873,532</b>
<b>American Legend Cooperative</b>	<b>\$275,223</b>

**APPENDIX D: PROPOSED DISTRIBUTION**

**Victory Farms Incorporated and Jonathan Mullen Mink Ranch Limited (collectively the "Applicants")**  
**Proposed Initial Distribution Allocation Schedule**  
**Prepared by Deloitte Restructuring Inc. - Monitor**  
**Prepared on July 24, 2017, Revised on July 28, 2017**

<b>Designated Creditors</b>	<b>Secured Asset(s)</b>	<b>Accepted Claim (\$)</b>	<b>Estimated Net Value of Assets (\$)</b>	<b>Proposed Distribution (\$)</b>
North American Fur Auctions	First charge on live mink, pelts, and the proceeds thereof	3,694,042	1,123,817	873,532
American Legend Cooperative	Second charge on live mink, pelts, and the proceeds thereof and first charge on all other personal property	2,909,060	354,080	275,223
<b>Total:</b>		<b>6,603,102</b>	<b>1,477,897</b>	<b>1,148,755</b>

**Notes:**

The Proposed Initial Distribution amounts represent residual Sales Proceeds held by the Monitor following the repayment of the DIP lender. The proposed distribution of these funds has been calculated on a pro-rated basis utilizing the estimated fair market value of the Purchased Assets.

Following the Proposed Initial Distribution, any residual funds held as an administrative charge by the Monitor and remaining amounts held within the accounts of the Applicants will be distributed during a final distribution (the "Final Distribution"). Funds distributed during the Final Distribution will be allocated to Designated Creditors as follows:

- (i) Residual administrative charge - 76% to North American Fur Auctions and 24% to American Legend Cooperative
- (ii) Amounts held in the accounts of the Applicants - 100% American Legend Cooperative less \$8 thousand paid to Royal Bank of Canada

The Applicants have reached an agreement with RBC regarding set-off rights of RBC. As part of the agreement, the Applicants and RBC have agreed, pending approval by the Court, of a payment of \$8 thousand dollars as full and final settlement of any claim RBC may have against the Applicants.

Please see enclosed Notes to the Proposed Initial Distribution Allocation Schedule for supporting calculations and rationale for values presented in the table above.

**Victory Farms Incorporated and Jonathan Mullen Mink Ranch Limited (collectively the "Applicants")**  
**Notes to the Proposed Initial Distribution Allocation Schedule**  
**Prepared by Deloitte Restructuring Inc. - Monitor**  
**Prepared on July 24, 2017, Revised on July 28, 2017**

**Reconciliation of sale proceeds**

Sale Proceeds received May 5, 2017	4,000,000
First repayment tranche of DIP (May 12, 2017)	(2,500,000)
Second repayment tranche of DIP (May 17, 2017)	(277,706)
Closing adjustments (May 17, 2017)	76,461
Amounts withheld as administrative charge <sup>1</sup>	(150,000)
Amount available for initial distribution	<u>1,148,755</u>

<sup>1</sup>Any residual amounts available from the funds withheld as an administrative charge by the Monitor will be distributed on a pro-rated basis during the Final Distribution.

**Analysis of Purchased Assets:**

In an effort to verify the Purchase Price Allocation stipulated in the Stalking Horse and Bidding Procedures Order dated February 16, 2017. The Monitor undertook to estimate the fair market value of the Purchased Assets. The following section summarizes the methodology employed during this analysis.

**Live mink, pelts and the proceeds thereof:**

Utilizing recent auction results received from Management of 3306319 Nova Scotia Limited and harvest information received from the 340 Rancher's Cooperative, the Monitor estimated the fair market value of mink and mink proceeds as follows.

	<b>Pelts</b>	<b>Ave. Price</b>	<b>Value</b>
Proceeds from February Auction	2,839	45.54	129,288
Proceeds from May Auctions	29,143	39.59	1,153,823
Proceeds from July Auctions	35,513	29.82	1,058,998
Estimated mink remaining to be sold	<u>12,218</u>	<u>29.82</u>	<u>364,341</u>
	79,713	33.95	2,706,449

Net commissions and charges (6.5%) 175,919

Estimated value of mink pelts and the proceeds thereof 2,530,530

	<b>Live Mink</b>	<b>Est. Price</b>	<b>Value</b>
Estimated value of live mink	19,850	43.95	872,408

Estimated value of live mink, pelts and the proceeds thereof<sup>2</sup> 3,402,937

<sup>2</sup>The market value of live mink was estimated based on the average observed auction price plus a ten dollar premium.

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**All other personal property:**

During the pursuit of a Plan of Arrangements with its creditors, the Applicants undertook to hire an independent asset appraiser, Castle Appraisals Ltd., to conduct an appraisal of personal property owned by the Applicants. This appraisal was completed on October 13, 2016 under the supervision of the Monitor. The results of this appraisal are summarized in the table below.

<b>Summary of Excluded Assets</b>	<b>Forced Sale</b>	<b>Fair Market</b>
	<b>Value</b>	<b>Value</b>
2014 New Holland T4.95A Tractor <sup>3</sup>	47,000	62,500
2014 New Holland T4.95A Tractor <sup>3</sup>	47,000	62,500
2013 Chevrolet Silverado LTZ <sup>4</sup>	19,000	22,450
	<u>113,000</u>	<u>147,450</u>

<b>Summary of appraised property</b>	<b>Forced Sale</b>	<b>Fair Market</b>
	<b>Value</b>	<b>Value</b>
Value of personal property	347,250	501,530
Net value attributable to Excluded Assets	<u>113,000</u>	<u>147,450</u>
Value attributable to all other personal property	234,250	354,080

<sup>3</sup>Negotiations continue between 3306319 Nova Scotia Limited and CNH Industrial Capital ("CNH") regarding the two 2014 New Holland t4.95A tractors. The Monitor is also working with CNH to obtain payout statements relating to these units, however, based on the books and records of the Applicants, it is not anticipated that any equity will be available for distribution from these units.

<sup>4</sup>3306319 Nova Scotia Limited was unable to reach an arrangement with the creditor secured by the 2013 Chevrolet Silverado LTZ. The Monitor can advise that no available equity exists associated with this vehicle and it has been subsequently returned to the secured creditor for disposition.

<b>Estimated net value of assets</b>	<b>Value</b>	<b>%</b>
Live mink, pelts and the proceeds thereof	3,402,937	
Plus: AgriStability payment received June 20, 2017	498,585	
Less: Repayment of DIP	<u>(2,777,706)</u>	
	1,123,817	76%
All other personal property	<u>354,080</u>	24%
	<u>1,477,897</u>	100%

<b>Pro-rated distribution amount</b>	<b>Value</b>	<b>%</b>
Live mink, pelts, and the proceeds thereof	873,532	76%
All other personal property	<u>275,223</u>	24%
	<u>1,148,755</u>	100%